

2013 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. The report describes the use of the Compliance Resolution Fund (CRF) by presenting overviews of the functions and activities of core DCCA programs funded by the CRF, and provides a financial summary of expenditures from the fund including personnel and operating expenses, as well as revenues received. In addition, the report complies with the department's reporting requirements contained in Act 100, SLH 1999, regarding the statement of goals, objectives and policies.

The CRF, established July 1, 1996, evolved into the primary funding source for DCCA's programs as the department moved its operations away from funding 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 that chapter;
- (2) Any person subject to chapter 485A, has complied with that chapter;
- (3) Any person submitting any filing required by chapter 514E or section 485A-202(a) (26) has complied with chapter 514E or section 485A-202(a) (26);
- (4) Any person has complied with the prohibitions against unfair and deceptive acts or practices in trade or commerce; or
- (5) Any person subject to chapter 467B has complied with that chapter;

and includes work involved in or supporting the above functions, licensing, or registration of individuals or companies regulated by the department, consumer protection, and other activities of the department.

By Fiscal Year 1998-1999, five DCCA programs were part of the CRF: Business Registration Division, Professional and Vocational Licensing Division, Regulated Industries Complaint Office, Office of Consumer Protection, and the Director's Office with its supporting offices of Administrative Services, Information Systems and Communications (ISCO), and Office of Administrative Hearings. Act 129, SLH 1999, 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 purposes¹, 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.

ACCOMPLISHMENTS

The Department’s overall CRF financial summary for FY13 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$25,749,207	\$8,970,148	\$34,719,355	\$41,808,924

The Department’s financial strategy requires that revenue-generating divisions secure revenues to cover division expenses, and contribute equitably to overhead costs, while ensuring that anticipated major improvements are addressed, and a portion of next year’s operating expenses is available. This ensures fund solvency and the continuation of mandatory public services. From the onset of the CRF, the Department’s primary fiscal goal has been to implement this strategy through conservative spending and adjusting our expenses to be aligned with projected revenues. Accordingly, the department’s financial planning takes into account both current fiscal year expenses and future major projects and expenditures.

GOALS AND OBJECTIVES OF THE DIRECTOR’S OFFICE AGENCIES

The Director’s Office provides general policy and administrative leadership in supervising and coordinating various department activities. Personnel management services are provided by the Director’s Office, while Administrative Services provides programs with centralized budgeting, accounting, as well as centralized clerical services. Information Systems and Communications Office (ISCO) provides system and technical computer support services for the various DCCA programs. Administrative Hearings conducts formal administrative hearings for the department programs and various attached boards and commissions, administers the Medical Inquiry and the Design Claim Conciliation Panels, hears appeals of the State procurement code, and conducts due process hearings for DOE under the Individuals with Disability Education Act (IDEA).

¹ The Professional and Vocational Licensing Division has the following trust funds: Real Estate Recovery, Real Estate Education, Condominium Education, Contractor’s Recovery, Contractor’s Education, Real Estate Appraisers, all of which are managed and controlled by the respective licensing boards. The Insurance Division has the following trust funds: Insurance Commissioner’s Education and Training, Patient’s Compensation, Premium Taxes Paid Pending Appeal, Service Contract Providers Financial Security Deposits, Captive Insurance Companies LOC Escrow; and the following special funds: Driver Education Fund Underwriter’s Fee, and Captive Insurance Administrative Fund. The Regulated Industries Complaint’s Office has the State Certified Motor Vehicle Arbitration trust fund, the Office of Consumer Protection has a Restitution trust fund, the Division of Financial Institutions has the Mortgage Loan Recovery trust fund, and General Support has the Mortgage Foreclosure Dispute Resolution special fund. Additionally, the Hawaii Hurricane Relief Fund Board is administratively attached to DCCA, and its Board of Directors (rather than the director of DCCA) manages and controls the fund. These funds are not included in the CRF.

These offices have various functional areas which 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 the 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 and 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 timely process all departmental expenditures. Provide timely and accurate cashiering services for all payments and collections made to the department.	100% timely processing of payments.	Percentage of late payments processed.
Budget Office	Provide technical support services to operating programs in the areas of budget preparation, budget execution, and management analysis.	Timely, accurate, and sound guidance to the Director and operating programs of the Department.	Percentage of departmental budgetary tasks completed by the due date.
Office Services	Provide central clerical support to divisions regarding mail, duplication projects, and word processing.	Timely processing of work requests for typing and photocopying services. Timely address and answer all division concerns.	Percentage of requisitions completed in a timely manner.

	Timely and complete response to division inquiries and complaints.	Timely address and answer 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.	Reduce travel costs. Reduce electrical costs. Reduce paper usage.	Reduce travel costs by 10%. Reduce electrical costs by 10%. Reduce paper usage by 30%.

ACCOMPLISHMENTS OF DIRECTOR'S OFFICE AGENCIES

Director's Office Consumer Education: The Director's Office spent a considerable amount of time this year looking at ways to improve and expand its educational outreach through training, meetings with new contacts, and forming new partnerships, while continuing to participate in a wide variety of consumer education events. The Department's education specialist attended 29 events throughout the state targeting seniors, homeowners, consumers, job seekers, and students. This past fiscal year's planning has already resulted in an increase in the number of events attended in FY14.

The Director's Office also took up the issue of mortgage foreclosure and launched a statewide outreach campaign that included the creation of the Hawaii Foreclosure Information Center (HFIC), creation of an HFIC website that featured information for troubled homeowners plus contact information with nonprofit housing counseling agencies, and the creation of two targeted television campaigns. One focused on homeowners getting in touch with their lenders to figure out ways to resolve potential foreclosure issues. The other sub-campaign targeted homeowners who faced scammers who would prey upon their difficult financial situation by making empty promises (mortgage rescue fraud). The ads reached tens of thousands of people statewide that included concentrated efforts on Maui County and Hawaii Island.

The campaign was launched in conjunction with the department's effort to increase the number of certified housing counselors in the state. DCCA removed the financial burden on nonprofit counseling agencies by paying for instructors to fly to Hawaii to teach the required HUD certification classes to the existing counselors and newly hired counselors. This effort alleviated the financial barriers to the nonprofit agencies and expedited the time frame in which the counselors were certified. The training increased the number of trained counselors in the state by about 70 percent. Both the education campaign and counselor training were funded through the State Attorney General's multi-state mortgage foreclosure settlement agreement.

The Department also increased its visibility online by expanding its reach in social media through Facebook, Twitter, YouTube, and Vimeo services in an attempt to reach residents in the growing interactive space.

The Department continued its partnerships with the University of Hawaii's College of Tropical Agriculture and Human Resources, Federal Trade Commission, National Consumer Protection Week,

LifeSmarts with the National Consumers League, U.S. Postal Service, Consumer Financial Protection Bureau, and other local and national agencies.

Hawaii Post-secondary Education Authorization Program (HPEAP): The Department was tasked by Act 180 (SLH 2013) with establishing the Hawaii Post-Secondary Education Authorization Program (HPEAP) to comply with 34 C.F.R. §600.9. This federal regulation requires post-secondary educational institutions to obtain state authorization to be eligible for Title IV student financial aid. Since the law was enacted on June 25, 2013, the department has worked expeditiously to implement the new law. General revenues funded the startup costs in FY14. HPEAP is now fully operational and has been accepting applications for authorization. The program is currently not self-sufficient but has not yet completed an application cycle so its long term self-sufficiency is not yet clear. HPEAP will continue to work with stakeholders including the U.S. Department of Education to ensure that Hawaii schools and Hawaii students will continue to fully participate in and benefit from Title IV programs.

Department Legislative Coordinator functions: The Director's Office worked extensively to support DCCA divisions during the 2013 legislative session to ensure timely and responsive communications with legislators and their respective staff. With the support of the State legislature, the department was successful in passing its entire legislative package. Continued efforts will be made in this regard to be proactive and anticipatory in the coming year.

ISCO accomplishments: For FY13, ISCO achieved many major accomplishments in the Information Technology (IT) area, including: 1) merged a large number of duplicate FEINs and/or SSNs in the Insurance Division's HIDS database; 2) reviewed and evaluated several COTS solutions as replacement candidates for the existing legacy Oracle Forms applications (ALIAS, BRIMS, CMS, FIMS, HIDS, & RDPMS); 3) doubled the storage capacity for digital archives of business registration documents (BREG:RDPMS); 4) provided a solution to input Maui BAC's scanned electronic image documents directly into Kofax (BREG:RDPMS); 5) streamlined the Involuntary Dissolution process to fix BRIMS previously back scanned dissolution T8's (BREG:BRIMS); 6) achieved compliance with the State Procurement Office as a delegated procurement authority, with a number of staff certified to undertake various procurement methods; 7) re-drafted and published a new RFP to use the PPACA Federal Grant funding for the Health Premium Rate Review BPMS (RFP-13-01-ISCO); 8) completed all basic courses for the Microsoft .Net framework: Visual Studio, SQL Server, & SharePoint and began intermediate training courses; 9) added database Replication for Web Applications and created a 24/7 accessible version of certain databases to be used for web application development; 10) removed CMS database replication from HIC Databases since no longer needed after moving Complaint History Reports to ISCO Web Application Server; 11) tested and approved the Electronic Leave System (ELS) application for both client & server version 8; 12) assisted other departments with their evaluation of the ELS to replace their manual G1 form process; and 13) evaluated several collaboration tools for issue and ticket tracking solution and decided to increase the use of JIRA to be implemented in the following fiscal year. To complete these complex projects, ISCO worked collaboratively with DCCA business staff, along with the State's central IT group (ICSD) and the State's Web Portal Manager.

Finally, ISCO Custom Apps participated in several CIO/OIMT initiatives, including: a) completed the Gartner Benchmark for Applications Support and Development as it related to the OIMT ERP Program Phase 1 Launch; b) participated in the State CIO's IT Skills Assessment exercise; c) contributed to the State's Open Data Initiative – (data.hawaii.gov); and d) participated in the State's Websites Modernization project by reviewing and finalizing DCCA's new Wordpress web content.

Although not as visible to our external customers, ISCO continuously works to enhance its infrastructure to provide DCCA’s business staff with efficient and secure computer tools to get their work done. Infrastructure enhancements completed this year include: 1) installation of a new disk to disk backup system that also provides for disaster recovery; 2) SAN expansion; 3) replacement of 98 obsolete PCs; 4) replacement of 5 obsolete printers; 5) upgrade from MS Office XP/2003 to MS Office 2010; 6) expansion of the VMWare server cluster, adding additional capacity and redundancy; 7) refresh the Cisco switches which increased the speed to the desktop computers to 1 Gb/sec. and provided increased bandwidth and capacity to the IDF; 8) introduction of electronic signatures to replace wet signatures which allowed us to implement electronic purchase orders; 9) virtualization of all DCCA servers; 10) replacement of the DCCA’s IVR system; and 11) installation of Malware Bytes Enterprise Edition as an additional layer of security to provide additional protection against malware.

The CRF financial summary relating to ADMIN (Director’s Office, Personnel, Administrative Hearings, Fiscal and Administrative Services Offices and ISCO) for FY12-13 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$3,558,790	\$2,359,721	\$5,918,511	\$476,511

CONCLUSION

The Department looks forward to continuing to fulfill its core mission to regulate business fairly and reasonably, while protecting consumers from fraud and unfair business practices. We adopted the motto “Upholding fairness in the marketplace” to both challenge and remind us of our responsibilities to the consumer and the marketplace. We will endeavor to provide our customers with the best value for their money by continuing our efforts to not only provide our services efficiently, but in ways that are also convenient for our customers, such as making more services available online.

BUSINESS REGISTRATION DIVISION (BREG)

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OVERVIEW

The Business Registration Division (BREG) has three primary functions: (1) ministerial registration including 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, service marks and publicity rights; (2) point-of-service assistance to the public to help them through the registration process necessary to start up a business in the State in the areas of business, tax and employment; and (3) substantive regulatory oversight of the securities industry in the State in the following areas: (a) registration of broker-dealers, securities sales agents, investment advisers, investment adviser representatives, investment companies and securities and franchise offerings for sale in the State; (b) field examinations of broker-dealers and investment advisers in the State; (c) review of securities and franchise offerings for sale in the State; and (d) the enforcement of the Uniform Securities Act.

Composition

The division's main office is located at 335 Merchant Street, Honolulu, Hawaii 96813 on the second floor. It also has three Business Action Center (BAC) offices: 1130 North Nimitz Highway, Second Level, Suite A-220, Honolulu, Hawaii 96817; 70 E. Kaahumanu Avenue, Unit 8-9, Kahului, Hawaii 96732; and 100 Pauahi Street, Suite 109, Hilo, Hawaii 96720.

In order to carry out the division's primary missions, the division is divided into four branches: (1) the Documents Registration Branch that includes the Business Action Center offices, (2) the Securities Compliance Branch that includes the Investor Education Program, (3) the Securities Enforcement Branch, and (4) the Office Services Branch which supports all of the other branches. The division's staff includes attorneys, investigators, securities examiners, securities registration staff, business center specialists, investor education specialists, business registration assistants, clerk-typists, legal secretaries, licensing clerical staff, clerical support staff and administrative staff.

The **Documents Registration Branch** maintains the business registry for 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, service marks and publicity rights. This branch consists of the Documents Information Section, the Documents Processing Section and the Records Section. It also includes the Business Action Center.

The **Business Action Center (BAC)**, as part of the Documents Registration Branch, operates business action center offices on Oahu, Maui and Hawai'i Island 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 and employer registration and tax licensing purposes. The BAC accepts BREG filings and fees and also serves as an information clearinghouse that provides general information on county, state and federal licensing, permitting and filing requirements and assistance programs related to business or commercial 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 real-time assistance from a customer service representative).

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 sales agents, 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 broker-dealers and investment advisers in the State. The division's Investor Education Program that provides investor education and financial literacy outreach to the public is also part of the Securities Compliance Branch.

The **Securities Enforcement Branch** enforces State laws governing the securities industry under the Uniform Securities Act and franchises under state laws, by investigating and taking legal action against those persons and/or firms, both registered and unregistered, who violate these laws or evade them. The branch has also worked in conjunction with other government agencies such as the Securities Exchange Commission, the US Commodity Futures Trading 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 businesses depend 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 **131,000** documents during fiscal year 2013, and maintains the public registry of over **161,000** active businesses, trade names, trademarks and service marks. The production databases hold over **1,928,996** documents. 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.

The Documents Registration Branch maintains **7** databases holding over a combined total of **283** million records and has one of the most popular online services in the state with over **6.2** million unique hits a year.

It is the goal of the Documents Registration Branch to be 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 public filing information while protecting the integrity of the data system, and (4) develop more online services and other innovations that will be useful to many.

As part of an effort to make the Documents Registration Branch as convenient as possible for the public, we have been working to advance our computerized information systems so the public can access our services in the fastest and best ways, and we can process and record documents with enhanced speed and accuracy. Recent system upgrades include modifying internet interfaces to be more user-friendly, developing improved interfaces for tablets and mobile phones, and back office processing upgrades.

The branch is one of the first business registries in the country with the technological and legal infrastructure in place to allow online incorporation and annual filings, access through mobile applications and new social media links, as well as some of the most advanced back office processing. It continues to be one of the most efficient and technologically advanced registries.

The branch continues to lead in innovation. Last year, the branch launched two of the first mobile applications in the country for business registration and the first Hawaii state government mobile applications for tablet and smart phone technology. The applications utilize interfaces customized for touch screen technology and smaller phone screens, including large buttons and customized displays. Visit www.business.hawaii.gov.

The applications provide enhanced mobile device access for some of the most popular online services of the state including:

- Searching for filing information on registered businesses
- Buying and instantly downloading filed documents
- Buying Certificates of Good Standing
- Filing annual business report renewals

In 2012, the mobile apps were recognized as best in class for innovation and service to the public, winning the following recognition:

- "Best Government Mobile Website" by the Web Marketing Association
- "IACA 2012 Merit Award for Outstanding Innovation"
- State of Hawaii "Excellence in Technology Award" in the category of Digital Government: Government to Business
- Finalist: National Association of State Chief Information Officers (NASCIO) 2012 Recognition Awards
- Honorable Mention: "Digital Government Achievement Award"

This year, the branch also continued to improve the documents online project that allows the public to purchase filed documents instantly online. About **11,845** documents were ordered online this past year. We have made an estimated **1,508,727** documents immediately available online as of this past fiscal year. This saves the public time and money and increases convenient public access to the registry documents, especially to businesses on the neighbor islands. The branch is continuing to increase instant document purchases and upgrade the interface of its website which can be found at www.BusinessRegistrations.com.

This year, our "go green" effort to increase our online adoption rate for annual report filings is at about **78%** of the total filings as of the second quarter of calendar year 2012. The effort continues to save the Division over **600** pounds of paper and nearly **\$45,000** in postage a year. The increased online filing

rate also reduces paper, postage and other costs for the consumer, helps keep our community green and reduces the division's manual handling, thereby allowing faster automated processing.

In addition to annual filings, the branch currently accepts a total of **30** other online filings. We are working to add more online filings in the upcoming year. All forms that the branch generates are now available online for the public to download. The branch also maintains its Hawaii Business Express website that allows customers to fill out one application via a single internet process which covers three different state filings: registration of their business entity with the Department of Commerce and Consumer Affairs, obtaining a general excise tax number from the Department of Taxation and obtaining an identification number from the Department of Labor and Industrial Relations.

The technological innovations and the work of the staff have also kept the processing times down to an average of 4 days and **annual backlogs as low as 0 days**.

Business Action Center

The BAC is supervised by a business center specialist who is responsible for five business registration assistants and three offices. The BAC operates permanent business centers on Oahu and Kahului, Maui and a temporary office in Hilo. These 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 with completing necessary tax license and business and employer registration applications. Customers can also submit applications in person and receive certain temporary tax licenses and pay fees.

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. BAC also provides e-mail, fax and phone support for HBE or any other filers. The BAC 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 processing efficiency.

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

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 objectives for the fiscal year ending June 30, 2014, will be to: (1) continue to provide the best customer service to the public who visit or otherwise contact the BAC for assistance; (2) continue developing relationships with the business community and seeking ways to reach communities in need of business registration; and (3) continue working closely with other state agencies (including cross-training) to improve customer service and help increase compliance with new laws.

In FY13, the BAC branch assisted over **20,400** customers over the counter or via phone, e-mail, fax, or Live Chat. In particular, Live-Chat assistance continues to be popular with approximately **540** chats per quarter in FY13.

In FY13, the BAC strengthened its relationships with other business resources in the community as well as newcomers like the Patsy T. Mink Center for Business & Leadership (f.k.a. The Women's Business Center) and AARP. The Mink Center provides business counseling services free of charge to all business owners, regardless of gender. It also offers networking and business training sessions for which the BAC participated as a guest instructor. The AARP, recognizing that older persons are considering entrepreneurship after retirement, also had BAC participate in its classes for seniors. In addition, the federal Small Business Administration requested BAC's regular participation in its Boots 2 Business training sessions, designed for military personnel transitioning out of service and into the workplace.

Further, the BAC participated in workshops and counseling sessions throughout Hawaii. This year, we were able to partner with the Federal Reserve Bank of San Francisco allowing us to hold business fairs and workshops for the Kaua'i Chamber of Commerce and the Maui Chamber of Commerce, reaching more neighbor island business communities. The BAC also regularly provides outreach services to Kapiolani Community College, the University of Hawaii William S. Richardson Law School, and O'ahu military bases. It also participated in approximately **25** job and business fairs, workshops, and seminars in partnership with the Hawaii Small Business Development Center, Pacific Gateway Center, the U.S. Small Business Administration, SCORE Hawaii, and others, reaching an estimated **1,000** attendees. In FY13, the BAC served on the executive committees of two successful business fairs at Kapiolani Community College and Leeward Community College, which featured a variety of business classes offered at no charge. In FY14, we plan to reach out to trade organizations, rural communities, and other government agencies that could benefit from business registration training that we offer.

The BAC continues to host the Hawaii State Bar Association volunteer attorney project, which allows our customers to meet one-on-one with HSBA business law attorneys each Thursday, free of charge. The program is one of BAC's most popular events, and we hope to continue offering this service and recruit more attorneys to volunteer.

GOALS, OBJECTIVES AND ACCOMPLISHMENTS - 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 two secretaries. The branch currently has approximately **93,400** securities salespersons and **1,304** broker/dealer firms registered to sell securities. In addition, the branch has **62** state registered investment advisory firms and an estimated **1,842** registered investment adviser representatives on record. The branch also processed an estimated **1,022** franchise disclosure document filings, conducted **21** exams and received approximately **355** Reg D notice filings for the private placement of securities and over **12,400** initial and renewal mutual fund notice filings in FY13.

The goal of the Securities Compliance Branch and Securities Enforcement Branch is to be an effective state securities regulatory agency that is responsive, appropriately aggressive and efficient. 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 valuable investor education programs and

materials that are responsive to the public's needs and current with the financial problems investors face, and to reach communities throughout Hawaii with practical and helpful information.

With respect to investor education, in particular, we are currently in the process of (1) implementing rules and laws to take advantage of the new Dodd-Frank Wall Street Consumer Protection Act in order to apply for up to \$500,000 in federal funds for state investor education efforts; (2) continuing our partnerships with nonprofit and state agencies to expand outreach throughout Hawaii to Native Hawaiians, the military, labor unions, seniors and keiki; (3) developing our program to leverage social media and other multimedia technology to reach our audience in a current and relevant manner.

The staff is working to adapt to the significant changes imposed by the JOBS Act, including the recent U.S. Securities and Exchange Commission's rules on crowdfunding. There are several other significant changes in securities regulation under the JOBS Act that staff is currently carefully monitoring. We are working to engage other federal and state officials regarding these changes.

Staff continues to efficiently manage the volume of applications and renewals received each year and the number of pending applications for broker-dealers, sales agents, investment advisers and their representatives remains very low. Examinations of broker-dealers and investment advisers located on all islands throughout the State are conducted on a continuing basis to provide onsite review of compliance with Hawaii law.

The branch is also continuing its comprehensive training program for professional development of its securities examiners staff with an additional emphasis on the new requirements included in the Act. Currently, the branch is supporting training to have examiners get certified as Certified Regulatory and Compliance Professionals from the FINRA Institute at Wharton. The branch currently has two certified examiners.

Investor education continues to be an essential component of securities regulation, and we continue to expand our outreach to audiences through various community events across the state. The branch completed **41** investor protection presentations in FY13, and participated in **50** community events statewide, through which we reached an estimated **114,859** consumers in Hawaii in FY13.

The most significant change in our program is that as of May 2013, our branch will manage a new youth program as the state coordinator for **LifeSmarts**. LifeSmarts is a high visibility national educational program that helps teenagers develop consumer and life skills. The program is free and offered to students in 6-12th grade. This is a partnership with the National Consumer League and Hawaii Credit Union League. Over the last 9 years, 847 students and 84 coaches in Hawaii have participated in LifeSmarts and we hope to continue the enthusiasm for and level of participation in LifeSmarts in the future.

Since October 2012, the branch has implemented a social media effort through carefully monitored Twitter, Facebook and Instagram accounts. The public can follow us by searching HISecurities. Current followers include: 14 on Facebook, 187 on Twitter and 18 on Instagram.

The branch maintains a strong statewide outreach program in five target areas: 1) Seniors, 2) Working Families/Union Members, 3) Youths, 4) Military, and 5) Hawaiian & Other Ethnic Communities. Our educational presentations include information to help consumers detect and prevent securities fraud

and to report complaints to our offices. Educating the public is an important part of our efforts to fight fraud, as knowledgeable investors are able to make better investment decisions and report fraud to us.

In the past, the branch also partnered extensively with the Hawaii Council on Economic Education (HCEE) to support financial literacy and investor education for our students via an interactive educational tool called the Stock Market Simulation (SMS). The SMS program trains teachers on how the US financial market works and how to make wise investment decisions, and the teachers are then able to go back to their classrooms and pass on the knowledge to their students. Over the past **8** years, this program has reached nearly **1,015** teachers and **39,782** students. We will be implementing this program in FY14.

The branch maintains nearly **80** handouts, brochures, booklets, games, puzzles, CDs, DVDs, guides and 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 seven investor protection presentations and special large print handouts that have been notably popular with our seniors.

GOALS, OBJECTIVES AND ACCOMPLISHMENTS - 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, 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 requiring extensive financial analysis and internet fraud is growing and becoming increasingly difficult to investigate.

The Commissioner has worked with NASAA to help analyze and draft federal legislation regarding the controversial topic of Crowdfunding in light of the recent federal law. We expect the expansion of internet offerings to appear and are concerned with the significant deregulation that will accompany the current laws. To that end, our staff is preparing. The branch continues with the implementation of a comprehensive training program and this year, we have looked to train with Google and other powerful internet and software tools to be sure we are able to follow the fraud where it is happening online. The program consists of: (1) in-house training with panels of regulatory enforcement and legal experts from other regulatory and law enforcement agencies, academia, and industry, and (2) outside training classes and conferences. **In FY13, members of the staff were invited to run a training presentation for 200 attendees at the NASAA annual enforcement conference in part because the office has established a national reputation as one of the most technologically advanced investigative teams.**

As previously discussed, the goal of the Securities Compliance Branch and Securities Enforcement Branch is to be an effective, efficient, responsive and appropriately aggressive state securities regulatory agency. To that end, the Securities Enforcement Branch's objectives are to: (1) investigate and prosecute state securities violations under the Uniform Securities Act; (2) intake complaints from the public and respond quickly and appropriately; (3) reduce case backlog; (4) inform consumers of enforcement matters and investment scams through participating in investor education; (5) develop and implement internal procedures that will improve the timely and effective resolution of cases, improving the branch's overall effectiveness; (6) attend and develop training to keep professional staff current on emerging investigative techniques, legal analysis and trends in securities fraud and other securities violations; (7) draft and assist in securities legislation; and (8) work with the media to raise public awareness.

As a result of the enforcement work of the branch in FY13, the division issued seven (7) preliminary orders to cease and desist with penalty recommendations of **\$1,120,000**; obtained six (6) final orders, and issued six (6) consent agreements or orders, imposing **\$777,240** in penalties. During the past fiscal year, the branch collected **\$36,523.13** in fines and penalties.

The securities enforcement branch has been involved in the litigation and settlements of major banks over the freezing of the auction rate securities markets, a market estimated to be over \$300 billion. Hawaii has assisted NASAA in the multi-state actions. Resolutions are pending.

CRF FINANCIAL SUMMARY

The CRF financial summary relating to BREG for FY12-13 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$4,105,865	\$1,047,099	\$5,152,964	\$8,598,228

CONCLUSION

The Business Registration Division continues to receive business filings, requests to purchase business documents, business registration inquiries, securities and franchise registration filings, securities and franchise inquiries and securities and franchise complaints that indicate an enduring need for the essential government services involving the business registry, business action center, securities law enforcement, securities registration and investor education outreach. The Division also continues to investigate and take legal action on securities fraud in the state. The 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 the changing, increasingly complex needs for service. In addition, the division has worked extensively with NASAA to assist in the national regulatory reform effort and to promote and advocate positions that best support Hawaii’s consumers.

CABLE TELEVISION DIVISION (CATV)

website: www.cca.hawaii.gov/catv

e-mail address: cabletv@dcca.hawaii.gov

OVERVIEW

The Cable Television Division (“CATV”) supports the Director in the regulation of cable television operators. CATV's primary function is to determine whether the initial issuance, renewal, or transfer 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.

After the issuance of a franchise, CATV’s role in protecting the public interest continues. CATV acts to enforce the franchisee’s obligations under the franchise order and to ensure compliance with State rules and regulations relating to cable operators’ practices and procedures. CATV continues to monitor the franchisee to ensure that the cable 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 public television, public, educational and governmental access and the interconnection of public facilities.

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, CATV 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 to public inquiries, concerns, and complaints. CATV staff is trained to assist, provide answers, refer complaints to the appropriate cable operator in the franchised area, or otherwise inform the general public of complaint-filing procedures. It is the division’s mission to ensure that all complaints and concerns are researched and appropriately resolved. In furtherance of this goal, CATV will continue to monitor resolution of customer service concerns and to examine customer satisfaction by conducting and reviewing surveys and reports. 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 provides broadband telecommunications capabilities among government and educational organizations and is constructed for two-way operation as part of the State’s current cable television network. 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 franchise agreements with cable operators, CATV requires that cable operators set aside a number of channels for public, educational, and governmental (“PEG”) access and provide a percentage of

gross revenues for PEG use. DCCA, through CATV, has contracted oversight of the access channels to nonprofit entities located in each of the four counties.

In 2010, the Hawaii State Legislature passed Act 199 (“Act 199”), which added broadband and telework responsibilities to DCCA/CATV’s responsibilities. Pursuant to Act 199, DCCA/CATV convened a work group to discuss procedures for streamlined permitting functions applicable to the development of broadband technology, and the broadband assistance and advisory council to advise the department on broadband development and promotion related matters. DCCA/CATV requested and received increased financial and personnel resources for FY 2011 as authorized by Act 199. As a result, two new staff members were hired as program specialists to focus on the broadband-related duties of CATV. CATV broadband-related activities have included drafting of legislation related to broadband development, meeting with government agencies, the Legislature, service providers and other stakeholders to address issues related to the advancement of broadband, and participating in FCC proceedings related to reforms affecting funding for telecommunications and broadband.

Composition

The staff of CATV currently consists of an administrator, a staff attorney, three program specialists (1 cable television specialist and 2 broadband specialists), and a 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 website: www.cca.hawaii.gov/catv.

GOALS and OBJECTIVES

CATV’s goals and objectives are as follows:

- 1) Ensure consistent cable television regulatory policies and practices
 - Conduct regularly scheduled franchise fee and PEG reviews
 - Designate access organizations to provide PEG access services
 - Collaborate and assist in the INET deployment process
 - Convene regular Cable Advisory Committee meetings
- 2) Monitor and participate in federal telecommunications legislation and rulemaking
 - Work with Hawaii’s congressional delegation on applicable federal legislation
 - Participate in relevant FCC proceedings on Direct Broadcast Satellite (“DBS”) service, universal service support, broadband, and other cable and telecommunications related matters
 - Protect and advocate the State's interests in federal funding programs for broadband infrastructure and services
 - Monitor other relevant government programs to identify potential funding for State broadband-related activities
 - Monitor federal issues that may have an impact on Hawaii cable television subscribers and broadband consumers
- 3) Advocate for equivalent enhanced services for the State
 - Ensure that DirecTV and Dish Network comply with the FCC’s order regarding service to Hawaii

- Monitor development and deployment of new advanced services
 - Ensure that Hawaii receives equivalent service to the mainland U.S.
- 4) Bridge the broadband availability gap by advancing broadband infrastructure deployment and supporting competitive marketplace
- Work with federal, state and county agencies, broadband providers and other stakeholders to identify physical gaps in broadband availability
 - Develop a roadmap to bridge gaps for un-served and underserved areas, and identify and pursue methods of funding broadband infrastructure to service these areas
 - Streamline government permitting and approval processes
 - Develop equitable process for shared use of government assets
- 5) Support and facilitate broadband adoption initiatives and programs to drive use of high speed broadband
- Support and develop government programs and applications, including telework and consumer applications
 - Support other state agencies' efforts to increase use of broadband through various digital literacy, computer ownership, and other adoption programs

ACCOMPLISHMENTS

Institutional Network (“INET”) – DCCA/CATV continues its leadership role in the development, expansion and enhancement of the INET. Working with OIMT and its INET Partners [(1) the Information, Communications and Services Division (“ICSD”) of the Department of Accounting and General Services, (2) UH, and (3) the Department of Education (“DOE”)], DCCA/CATV continued its role under existing cable television franchises in the upgrade and expansion of the INET, management of the INET interisland network, and in the deployment of broadband infrastructure for education and government applications.

One of the most significant INET related projects is the UH administered federal Broadband Technology Opportunities Program (“BTOP”) grant project Ke Ala 'Ike, which is deploying fiber connectivity to all of the public schools and libraries throughout the State and is near completion. Various INET related benefits were used to obtain the grant award for the State and to ensure the success of this project, including the pledge and use of INET Franchise fees dedicated to INET and broadband activities to provide the initial required matching funds of \$4M. For the project, UH was also able to maximize efforts by leveraging grant funds received by installing connections at cost under provisions of the cable franchise agreements with Oceanic Time Warner Cable (“Oceanic”) and by utilizing connections of INET sites provided “free of charge” pursuant to those agreements.

As of the end of FY13 (June 30, 2013), Oceanic held approximately \$6.3M in an interest-bearing account on behalf of DCCA/CATV for INET purposes and broadband activities. These funds are a part of the franchise fees that are collected from Oahu cable television subscribers. CATV has sought input this past year on and has begun working to identify activities that may advance broadband access and availability across the State.

Oceanic Time Warner Cable – Hawaii Island Franchise Renewal – On July 20, 2011, Oceanic submitted an application to renew its cable franchises for the island of Hawaii. CATV along with its

consultant held numerous meetings with various stakeholders and groups seeking comments on the renewal of this franchise. In addition, CATV held four public meetings to ensure that the public had ample opportunity to provide input into the renewal process. On February 8, 2013, Oceanic submitted its First Amended Application of Cable Television Franchise for the East Hawaii and West Hawaii cable franchise systems franchises. CATV and Oceanic are presently negotiating a new franchise agreement, and CATV expects this process to conclude by year end 2013.

Oceanic Time Warner Cable – Maui Franchise Renewal – Oceanic filed its intent to consolidate the Renewal Applications for its Maui County and Lahaina cable television franchises on June 2, 2011. Since that time, CATV conducted an initial round of discovery and ascertainment meetings across Maui County. CATV intends to hold four public meetings in: Kaunakakai, Lanai City, Lahaina, and Kahului to take public comment on Oceanic’s application. Thereafter, CATV will continue its review of the application and will start negotiations with Oceanic. CATV expects to complete the franchise renewal process sometime in early 2014.

Direct Broadcast Satellite (DBS) Service - CATV continues to be the State’s advocate for DBS service and other non-wireline services that can benefit Hawaii consumers. Although DBS is regulated on the federal level by the Federal Communications Commission (“FCC”), CATV recognizes the importance of this service not only as a competitor to cable television service but also as a provider of unique services to which Hawaii’s residents should have access. CATV continues to monitor and investigate developments related to these services where the interests of Hawaii consumers may be affected.

Franchise fee reviews and refunds - CATV has contracted with a certified public accounting firm to conduct annual reviews of the franchise fee payment process in each of the different franchise areas. Based on the results of reviews of the franchise fee calculation, collection, and payment process for all franchise areas, DCCA/CATV ordered refunds to cable subscribers over the past 8 years, totaling approximately \$1.4 million. CATV is continuing these annual reviews to ensure that the franchise fee collection process is being conducted accurately.

Federal Legislation and FCC Rulemaking - CATV continues to monitor developments in Congress and at the FCC related to telecommunications, cable television and broadband, and has actively participated in 2013 in FCC's proposed rulemaking proceedings related to the Connect America Fund Phase II Cost Model and the E-rate Program for Schools and Libraries. DCCA/CATV has filed position statements in these dockets on behalf of the State and has met and worked with Hawaii’s congressional delegation and the FCC.

With respect to cable related matters, DCCA/CATV has actively participated in Petitions for Special Relief, filed by Time Warner Entertainment, before the FCC. These petitions are requesting that the cable franchise areas on Oahu, East Hawaii, and West Hawaii be subject to Effective Competition and exempt these franchise areas from any rate regulation. DCCA/CATV has responded to these petitions and at the time of this report, the FCC has not yet reached a decision.

Designation of PEG Organizations to Provide PEG Services - On April 27, 2011, Governor Abercrombie signed into law Act 19 (SLH 2011) which authorizes the Director of DCCA to designate access organizations to oversee the development, operation, supervision, management, production and broadcasting of programs of public, educational or government access facilities provided that the designations shall be exempt from Chapter 103D, Hawaii Revised Statutes (State Procurement Code).

CATV is responsible for reviewing the applications and negotiations required for this designation process. Since Act 19 was signed into law, all four existing PEG access organizations, `Ōlelo Community Media (“`Ōlelo”) on Oahu; Na Leo O Hawaii Community Television (“Na Leo”) on Hawaii island; Ho`ike Kaua`i Community Television (“Ho`ike”) on Kauai; and Akaku: Maui Community Television (“Akaku”) on Maui, Molokai, and Lanai, have filed applications for designation as the PEG access provider in their respective service areas.

`Ōlelo’s application to provide PEG access services on Oahu was filed on October 25, 2011. CATV and Oceanic conducted discovery and CATV held a public meeting on `Ōlelo’s application. CATV and `Ōlelo are actively negotiating to create a contract for PEG services. Negotiations were delayed for a period pending arbitration of a dispute between `Ōlelo and Oceanic on a schedule for capital fund payments. However, CATV is hopeful that the outstanding issues will soon be resolved and a contract can be finalized.

Na Leo’s application to provide PEG access services for Hawaii island was filed on October 17, 2012. CATV and Oceanic conducted discovery and CATV held a public hearing on the application. CATV and `Ōlelo are actively negotiating to create a contract for PEG services on Hawaii island and expect to conclude this proceeding by the end of 2013.

Ho`ike’s application to provide PEG access services on Kauai was filed on October 4, 2012. CATV conducted discovery and held a public meeting on Ho`ike’s application. CATV and Ho`ike are actively negotiating a contract for PEG access services on Kauai and expect to conclude this proceeding by the end of the first quarter in 2014.

Akaku’s application as the PEG access organization for Maui County was filed on September 3, 2013, which is presently being reviewed by CATV. CATV will shortly hold public meetings in Maui County on the application and will conduct discovery prior to engaging Akaku in negotiations for a contract.

Broadband – Act 199 (SLH 2010) - Act 199 directed DCCA to facilitate development and deployment of broadband services to facilitate access to competitively priced broadband services, and to promote use of such services, and to convene the Broadband Assistance Advisory Council (“BAAC”). DCCA/CATV continues to hold meetings of the Council and its working groups to work on the identification and development of broadband activities to expedite broadband infrastructure deployment and to expand access to broadband services. Specific activities include research and development of policies and programs to increase digital literacy, broadband adoption, and streamlined government approval processes and access for broadband infrastructure deployment.

American Recovery and Reinvestment Act (“ARRA”) - Broadband Mapping and Planning Projects – DCCA/CATV was awarded \$4.3M in ARRA funds to be expended over a 5-year period ending December 2014. DCCA/CATV partnered with the University of Hawaii (“UH”) to carry out the grant projects, which include the following projects: (1) Broadband Data Collection and Mapping; (2) Broadband Planning; (3) Broadband Capacity Building; and (4) Technical Assistance. Activities under these grants include data collection to develop and maintain Hawaii’s broadband map to identify available broadband services throughout the State; development of plans to fill identified gaps in broadband service throughout the State and to reduce barriers to broadband access; and implementation of programs to increase digital literacy and access to broadband services. A statewide map of broadband availability has

been created, and continues to be refined. In December 2012, DCCA/CATV completed a State Broadband Strategic Plan to guide activities in broadband infrastructure development, adoption, and applications for economic development.

As part of the grant activities, the Hawaii Broadband Map Speed Test lets residents of the State voluntarily contribute information about their wired or wireless broadband connection speeds (downstream and upstream speeds) with approximate location information. This information gives DCCA the ability to identify areas that may be underserved when compared to current definitions of broadband. The FCC, for example, defines Basic Broadband as speeds of at least 4 Mbps downstream and 1 Mbps upstream. The speed test can be found at the internet website: www.hibroadbandmap.org/speed-test/. In the summer of 2013, DCCA began a second campaign to encourage residents to take the speed test. New data collected will allow the State to measure improvements in broadband speeds across the State, and to better identify un-served and underserved communities.

In 2013, DCCA/CATV began working on the capacity building and technical assistance projects under the grant. These activities included the BAAC activities and other activities to advance infrastructure deployment and broadband adoption through identification and development of statewide, as well as county specific proposed policies and programs. Market research is currently being undertaken to provide data on the Hawaii broadband user experience and usage and motivations to adopt higher speed services. DCCA/CATV is also working to support and develop programs with the Hawaii State Public Library. The Library, with branch locations throughout the State providing access to computers, plays a pivotal role in reaching and teaching non-adopters in rural areas and of various, targeted demographic groups, including lower income residents and seniors. This past year, DCCA/CATV partnered with the Library to provide basic computer and Internet training materials and other resources to be used as part of its netbook loan program, which offers library cardholders the opportunity to borrow a netbook equipped with 3G mobile service for a three week period. DCCA/CATV has also begun collaborating with Hawaii County on two broadband planning projects that may inform approval streamlining policies as well as serve as models for projects in other counties, such as a project that seeks to provide Wi-Fi at parks and recreation facilities and community centers across the County.

To further facilitate broadband deployment, DCCA/CATV also continues to focus on leveraging the INET connections made under the cable television franchises as well as franchise fees collected for INET and broadband purposes when and where opportunities are presented.

CRF FINANCIAL SUMMARY

The CRF financial summary relating to CATV for FY13 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$539,242	\$1,287,798	\$1,827,040	\$2,046,102

CONCLUSION

This year has been noteworthy for CATV because of the multiple cable franchise renewals at issue, the activity surrounding the designation of all four PEG access organizations, the rapid development of advanced technology by cable companies and its implications, the many federal cable and telecommunications regulations and programs undergoing reform, and the many broadband-related activities of the division and the department. Advancements in technology, such as the continued enhancement of the fiber to node architecture and the migration of analog channels to the digital tier, provided increased bandwidth capacity for broadband, new interactive and digital services, and an increase in available content. Through its many regulatory activities and its additional responsibilities to facilitate broadband access, CATV strives to ensure fairness to the public in the provision of improved cable television services, to provide valuable INET benefits to state and county agencies, and to provide ubiquitous access to reasonably priced broadband services to residents statewide, during a time of rapid advancements in telecommunications.

DIVISION OF CONSUMER ADVOCACY (DCA)

website: cca.hawaii.gov/dca/

e-mail address: consumeradvocate@dcca.hawaii.gov

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 consumers 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, the 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, are required when an evidentiary hearing before the PUC is scheduled to resolve differences among the parties to a proceeding.

By statute (Hawaii Revised Statutes § 269-52), the Director of the Department of Commerce and Consumer Affairs is the Consumer Advocate, but may employ and delegate the duties of the Consumer Advocate to an executive administrator, and the DCA shall provide administrative and functional support to the Director or his/her agent.

COMPOSITION

The DCA consists of 16 employees, ranging from an administrator, a secretary, a utilities/transportation officer, a utilities/transportation specialist, an education specialist, rate analysts, researchers, 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, Hawaii 96809; phone number, 586-2800; internet address, cca.hawaii.gov/dca/.

The majority of the DCA’s professional staff is comprised of the Rate Analysis Branch, the Engineering Branch, the Research Branch, and the Legal Branch.

The *Rate Analysis Branch* reviews and analyzes economic conditions, 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 *Research Branch* analyzes and advises on matters imposed on regulated public utility and transportation industries, provides services and advice relating to the current operations of and evolving changes to regulated public utilities and transportation industries, conducts special studies on the changes in various regulatory areas, including energy and telecommunications, and assists and participates with other branches in developing data and conducting analyses on matters under examination.

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.

Not counting the Legal Branch, the DCA is authorized to have up to nine exempt positions, under Hawaii Revised Statutes ("HRS") § 269-52(1).

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 fairly priced rates for safe and reliable services, while ensuring customer and environmental protections and renewable resource use, is the DCA's primary goal. This goal generally involves balancing various competing interests.

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.

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 adopt settlements reached amongst the parties to a proceeding, 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 impacts that the DCA's participation may have upon consumers are easily measured. Those 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. Two of the major objectives that the DCA will pursue are the advancement of federal and state broadband initiatives, as well as continued efforts to promote and facilitate Hawaii's transition away from imported fossil fuels towards an indigenous clean energy industry. As part of these advancement efforts, the DCA will be possible modifications to existing regulatory frameworks that may be inhibiting progress.

Planned Approach/Methods

In the PUC's 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;
- Technical 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;
- The DCA then provides the PUC with a recommendation that it believes is in the best interest of consumers; and

- Evidentiary or panel hearings are held by the PUC to take evidence provided orally by DCA witnesses or consultants hired by DCA to provide expert testimonies on specific technical issues.

Specific ongoing investigative dockets are discussed later in this report.

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 Hawaii's 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 advises 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 the performance of the DCA's efforts to promote policy objectives is inexact. While the DCA generally 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 is likely to 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. In addition, consumers need to be aware that many of the benefits proposed under Hawaii's Clean Energy Initiative will not be immediately apparent in their bills. Thus, education of reasonable expectations is necessary to avoid misinformation from occurring.

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 throughout the state 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, and consumers assisted with complaints and other issues.

ACCOMPLISHMENTS

In Fiscal Year 2013, 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. Below is a summary of the more significant matters in which the DCA was involved.

Rate Cases

Hawaiian Electric Company, Inc.'s ("HECO") 2009 Rate Case (Docket No. 2008-0083)

HECO's 2009 test year application was filed on July 3, 2008, but certain issues related to this docket were still unresolved in FY 2013. In January 2013, the DCA was able to secure a stipulation with HECO that resolved outstanding issues related to cost recovery issues pertaining to HECO's Campbell Industrial Park CT-1 unit, as well as a new customer information system that serves HECO, Hawaii Electric Light Company, Inc. ("HELCO") and Maui Electric Company, Limited ("MECO") (collectively, the "HECO Companies"). The HECO Companies agreed to write off \$40 million from the total costs associated with the CT-1 and CIS projects, as well the withdrawal of the HELCO rate case, wherein HELCO was seeking an increase of \$19.6 million, and the deferral of a HECO rate case filing that was expected in mid-2013. Now, HECO has agreed that it will not file that request until January 2014, at the earliest.

The PUC approved the stipulation in its Order No. 31126 filed on March 19, 2013 and closed the docket.

MECO's 2012 Test Year Rate Case (Docket No. 2011-0092)

On July 22, 2011, MECO filed an application for approval to increase its rates (by approximately \$23,500,000 or 6.7%, over revenues at current effective rates) and to amend its rules. The DCA, among other things, fully participated in this proceeding wherein it attended hearings on Maui, Lanai, and Molokai, conducted inspections of company facilities and witness interviews, and conducted extensive discovery. In its direct testimony, the DCA recommended numerous adjustments and a lower overall increase in the revenue requirements. Subsequently, through rigorous efforts and negotiations, MECO and the DCA entered into a global settlement where it was offered that MECO should receive only a \$13,089,000 increase in revenue requirements.

On May 31, 2013, the PUC filed its Decision and Order No. 31288, wherein portions of the settlement were accepted but the PUC made additional adjustments, where it further reduced the overall increase in revenue requirements to \$5,334,000, instead of the proposed settled upon amount of \$13,089,000. In June 2013, MECO filed motions for a partial stay as well as partial reconsideration and clarification of the PUC's Decision and Order. The PUC denied those motions in July 2013.

HELCO's 2013 Test Year Rate Case (Docket No. 2012-0099)

On May 1, 2012, HELCO filed an application seeking an increase of \$19.6 million and to amend its rules. Through January 2013, the DCA fully participated in this proceeding wherein it attended public hearings at Hilo and Kona, conducted inspections of company facilities and witness interviews, and conducted extensive discovery.

As mentioned in the discussion of the HECO 2009 test year rate case, the DCA entered into a stipulation to resolve a number of issues, which included the withdrawal of HELCO's requested increase in Docket No. 2012-0099. Since the stipulation was approved, HELCO withdrew its 2013 Test Year application and HELCO agreed that a new application will not be filed until 2016, at the earliest.

*Hawaii Water Service Company, Inc. – Pukalani Wastewater District
("Pukalani") 2012 Test Year Rate Case*

On August 12, 2011, Pukalani filed its application seeking a 225% revenue increase equal to \$1,325,924 over revenues at present rates for wastewater service provided to residential, commercial and governmental customers in Pukalani, Maui. Pukalani is seeking cost recovery for the replacement of its wastewater treatment plant and higher operating expenses. On February 8, 2012, the DCA filed testimony opposing the significant rate increase and instead proposed a rate increase of 26% based on a finding that the new wastewater treatment plant was built with excess capacity and that certain operating expenses were overstated. DCA and Pukalani completed settlement negotiations on December 20, 2012 and agreed to a rate increase of 107% that would be implemented in three phases over a 24-month period. A PUC decision has not been issued.

*Waikoloa Resort Utilities, Inc., dba West Hawaii Utility Company ("WHUC")
June 30, 2013 Test Year Rate Case*

WHUC filed an application on August 28, 2012 to obtain rate increases of (1) 50% for potable water service, (2) 165% for wastewater service, and (3) 50% for irrigation service. The requested rate increases would result in additional revenues of \$884,994 for potable water service, \$3,140,795 for wastewater service and \$107,982 for irrigation service. WHUC serves residential, multi-family, hotel and

commercial customers in the Waikoloa Beach Resort area in South Kohala, island of Hawaii. WHUC requests a rate increase to recover the construction costs of the new drinking well and wastewater treatment plant as well as higher operating expenses. The DCA is currently preparing its testimony and expects to file its testimony in August 2013.

*Waikoloa Water Co., Inc., dba West Hawaii Water Company ("WHWC")
June 30, 2013 Test Year Rate Case*

On August 28, 2012, WHWC filed an application seeking a rate increase of 119% to generate additional revenues of \$784,387 over present rates for potable water service provided to residential, condominium and commercial customers in the Waikoloa Village area in South Kohala, Hawaii. WHWC is requesting cost recovery for the construction of a new drinking well and higher operating expenses. On February 19, 2013, the DCA filed its testimony recommending a 59% rate increase since it appeared the new drinking well would not be operational during the test year. Settlement negotiations are being finalized to resolve the remaining outstanding issues.

*Waikoloa Sanitary Sewer Co., Inc. dba West Hawaii Sewer Company ("WHSC")
June 30, 2013 Test Year Rate Case*

WHSC filed an application on August 28, 2012, requesting a 142% rate increase equal to \$1,378,084 over revenues at present rates for wastewater service provided to residential, condominium and commercial customers in the Waikoloa Village area in South Kohala, Hawaii. WHSC is requesting a rate increase to cover the cost of a new wastewater treatment plant and higher operating expenses. The DCA filed its testimony on January 16, 2013 recommending a 31% rate increase. WHSC and the DCA are currently in settlement negotiations to resolve issues related to excess capacity in the new plant.

Biofuel Supply Contracts

Aina Koa Pono-Ka'u LLC ("AKP") Biodiesel Supply Contract with HELCO

On January 6, 2011, the HECO Companies filed an application respectfully asking the PUC to, among other things; approve the contract between HELCO and AKP and to allow HECO and HELCO to use either base rates, the Energy Cost Adjustment Clause ("ECAC") or a Biofuels Surcharge to recover the costs associated with the contract. In accordance with the state policy of supporting biofuels and the transition to a clean energy economy, the DCA supported the proposed contract. However, on September 29, 2011, the PUC issued a Decision and Order denying the application. On August 2, 2012, in Docket No. 2012-0185, the HECO Companies filed another application seeking PUC approval of a re-negotiated biodiesel supply contract executed between HELCO and AKP.

The DCA conducted discovery and filed its written testimonies and exhibits in the docket that supported approval of the revised biodiesel supply contract with AKP and also recommended that HELCO be allowed to recover the costs incurred under the revised AKP biodiesel supply contract through HELCO's ECAC, as appropriate, but only up to the costs of the displaced fossil fuels. The DCA also recommended that any incremental higher cost associated with the contract with AKP should be recoverable from HECO customers. The DCA offered analysis looking at long-run comparative costs and the positive impacts associated with encouraging biofuel production activities on the island of Hawaii to help justify the reasonableness of the proposed contract.

To date, proceedings in Docket No. 2012-0185 are still ongoing.

Pacific Biodiesel, Inc. ("PBI") Biodiesel Supply Contract With HECO

On November 30, 2011, HECO filed an application asking the PUC to, among other things, approve the biodiesel supply contract executed between HECO and PBI on June 15, 2011; and authorize HECO to include the costs incurred under the biodiesel supply contract in HECO's ECAC to the extent such costs are not recovered in HECO's base rates.

After conducting discovery, on August 24, 2012, the DCA filed a Statement of Position ("SOP") recommending that the PUC:

1. Approve the PBI Biodiesel Supply Contract executed between HECO and PBI on June 15, 2011; and
2. Authorize HECO, pursuant to Hawaii Administrative Rules ("HAR") § 6-60-6(2), to include the costs incurred under the biodiesel supply contract in HECO's ECAC to the extent such costs are not recovered in HECO's base rates, in Docket No. 2011-0368.

On December 13, 2012, the PUC issued a decision and order approving the biodiesel supply contract with PBI in the docketed proceeding. Accordingly, HECO is permitted to procure biodiesel from PBI under the terms and conditions stated in the PBI biodiesel supply contract dated June 15, 2011.

Hawaii BioEnergy, LLC ("HBE") Biofuel Supply Contract with HECO

On November 30, 2011, HECO filed an application asking the PUC to, among other things, approve the biofuel supply contract executed between HECO and HBE on August 8, 2011, and authorize HECO to include the costs incurred under the biofuel supply contract in HECO's ECAC to the extent such costs are not recovered in HECO's base rates.

The DCA participated in a discovery process, but subsequent to the originally scheduled discovery process, on June 28, 2012, the PUC issued an order establishing additional issues to be examined by the parties in Docket No. 2011-0369. Furthermore, on October 12, 2012, the PUC granted Life of the Land ("LOL") intervention into Docket No. 2011-0369 and named the Department of Business, Economic Development, and Tourism of the State of Hawaii ("DBEDT") as a participant in the same docket. An amended Procedural Order was approved by the PUC on December 17, 2012.

Through the use of internal and consultant resources, the DCA conducted discovery and evaluated the reasonableness of the proposed contract, including the terms and conditions, and price and price premiums associated with the proposed biofuel supply contract. Subsequently, the DCA filed direct testimony on January 25, 2013, recommending approval and also participated in subsequent discovery on the parties' and participants' written testimonies.

On October 11, 2013, the PUC issued a Decision & Order approving the biofuel supply contract.

Fossil Fuel Supply Contracts

HECO's Low Sulfur Fuel Oil ("LSFO") Supply contracts w/Chevron & Tesoro

(Docket No. 2012-0217)

On August 31, 2012, HECO filed an application requesting the PUC to, among other things, approve the New Chevron LSFO Contract, dated August 24, 2012, and the New Tesoro LSFO Contract, dated August 28, 2012.

The DCA conducted discovery and in its SOP, while the DCA voiced certain concerns, the DCA ultimately did not recommend rejection of the requested relief. However, the DCA recommended HECO file a report with the PUC regarding notification of contract extension, the price being paid by HECO and the status of HECO's efforts to find alternative fuel sources. On December 31, 2012, the PUC approved the LSFO Supply Contracts on an interim basis and on April 30, 2013 the PUC issued its Final Decision and Order approving HECO's application and adopted the DCA's recommended conditions.

Unitek Solvent Services, Inc. ("Unitek") Fuel Oil Purchase Contract with Kauai Island Utility Cooperative ("KIUC")

On September 7, 2012, KIUC filed an application respectfully asking the PUC to, among other things:

1. Approve a fuel oil purchase contract with Unitek, dated September 7, 2012; and
2. Authorize KIUC, pursuant to HAR § 6 60 6(2), to include the costs incurred under the fuel oil purchase contract in KIUC's Energy Rate Adjustment Clause ("ERAC") to the extent such costs are not recovered in KIUC's base rates.

After conducting discovery in the docketed matter, on January 24, 2013, the DCA filed a SOP recommending that the PUC:

1. Approve the fuel oil purchase contract with Unitek in the docketed proceeding; and
2. Allow KIUC to recover the costs incurred under the fuel oil purchase contract through KIUC's ERAC to the extent such costs are not already recovered in KIUC's base rates.

On February 8, 2013, the PUC issued a decision and order approving the fuel oil purchase contract with Unitek in the docketed proceeding. Accordingly, KIUC is permitted to procure specification used oil from Unitek under the terms and conditions stated in the Unitek fuel oil purchase contract dated September 7, 2012.

The Gas Company, LLC dba Hawaii Gas (Docket No. 2013-0101)

On April 30, 2013, The Gas Company, LLC, dba Hawaii Gas ("Hawaii Gas") submitted an application requesting that PUC approve a new supply contract on an expedited basis. Due to the impending closure of the Tesoro refinery, Hawaii Gas' naphtha supply, which is the supply source of the synthetic natural gas that Hawaii Gas produces, was in jeopardy.

On May 20, 2013, the DCA filed a SOP that did not object to the continuation agreement subject to the adoption of the recommended reporting requirements. On May 29, 2013, the PUC approved Hawaii Gas' application and adopted the DCA recommended reporting conditions.

MECO Terminalling Agreement (Docket No. 2013-0083)

On April 5, 2013, MECO submitted its application to the PUC requesting approval of a new terminalling agreement with Aloha Petroleum, Ltd. and to include the costs of the new agreement in MECO's ECAC with the intent to renew the current contract, which was due to expire.

The DCA conducted discovery, but there is continued ongoing work in this proceeding.

Purchase Power Agreements ("PPA")

KIUC Renewable Solutions One LLC ("KRS One") PPA

On October 17, 2011, KIUC filed an application with the PUC for approval of certain financing arrangements, which included among other things, the PPA arrangements between KIUC and its wholly-owned subsidiary, KRS One, to construct, own, and operate a fourteen (14) megawatt ("MW") photovoltaic ("PV") solar energy project and battery energy storage system, in the Anahola area in a property owned by the Department of Hawaiian Home Lands, Kauai.

On April 25, 2012, the DCA filed its SOP recommending approval of the KRS One project. The PUC issued its Decision and Order on November, 29, 2012, approving the application subject to certain conditions contained in its Order.

MP2 Hawaii Solar, LLC ("MP2") PPA

On November 28, 2011, KIUC filed an application with the PUC for approval of, among other things, a PPA with MP2 for a 300 kilowatt ("kW") PV solar energy system, located in Koloa, Kauai.

The DCA participated in the discovery processes and on May 25, 2012, the DCA filed its SOP recommending approval of the MP2 PPA. The PUC approved the application in its Decision and Order on December 5, 2012.

Honolulu Program of Waste Energy Recovery ("H-Power") PPA

On May 25, 2012, HECO filed an application with the PUC for approval of, among other things, an amended and restated PPA with the City and County of Honolulu ("City") regarding the H-Power municipal solid waste to energy facility for Renewable Firm Energy and Capacity. The amended and restated PPA amends and restates the existing PPA with the City for the current H-Power facility of 46MW and includes the City's new expansion facility of 27 MW for a total of 73 MW.

On October 17, 2012, the DCA filed its SOP recommending approval of the H-Power amended and restated PPA, with the condition that a term and condition of the PPA associated with HECO's cost recovery mechanism be revised. On October 30, 2012, HECO filed its Reply SOP, rescinding its request for the DCA's contested term and condition in the H-Power amended and restated PPA and provided a revised Amendment No 1 to the PPA on November 15, 2012. The PUC approved the Amended and Restated Power Purchase Agreement For Renewable Firm Energy and Capacity on January 17, 2013.

Hu Honua Bioenergy, LLC ("Hu Honua") Power Purchase Agreement With HELCO (Docket No. 2012-0212)

On August 30, 2012, HELCO filed an application asking the PUC to, among other things, approve the renewable dispatchable firm energy and capacity PPA between HELCO and Hu Honua and authorize HELCO to include the costs incurred under the PPA in HELCO's ECAC and Purchase Power Adjustment Clause. In its application, HELCO also requested the PUC to authorize transfer of the retired Pepeekeo Substation to Hu Honua and to determine construction of five 69 kW lines should be above the ground pursuant to HRS § 269-27.6(a). The Hu Honua Project proposes to convert the former Hilo Coast Power Company coal-burning power plant into a renewable biomass electric power generating facility with a committed capacity of 21.5 MW, the contracted net maximum output, with a potential capability for a net output of up to 28 MW.

The DCA conducted discovery and filed its SOP that supported HELCO's application, but raised a number of issues, including concerns as to the adequacy of HELCO's evidence in support of the PPA price and in comparison to the pricing of other recently approved renewable energy PPAs.

Additional discovery was subsequently conducted and the DCA filed a reply SOP on May 7, 2013, that again supported HELCO's application, but raised concerns that are to be addressed in future proceedings as recommended in the final report filed of the Reliability Standards Working Group ("RSWG") Docket No. 2011-0206. The PUC's Decision and Order is pending concerning the Hu Honua PPA.

KIUC Renewable Solutions Two LLC ("KRS Two") PPA (Docket No. 2012-0383)

On December 19, 2012, KIUC filed an application with the PUC for approval of certain financing arrangements, which included among other things, a waiver of the PUC's General Order No. 7 with respect to the commitment of funds for the development and construction of a fourteen (14) MW PV solar energy project to be located in Koloa, Kauai by KIUC's wholly owned subsidiary KRS Two.

On April 10, 2013, the DCA filed its SOP recommending approval of the KRS Two project. On June 19, 2013, the PUC issued a Decision and Order approving the KRS Two PPA.

AES Competitive Bid Exception (Docket No. 2012-0197)

On August 13, 2012, HECO sought a ruling from the PUC to interpret the provisions of the Framework for Competitive Bidding to allow AES (180 MW coal-fired generation plant) to amend its current power purchase agreement and increase its energy sales to 186 MW. Pursuant to a request from AES, HECO further sought to also initiate renegotiations of the power purchase agreement prior to the end of its current energy contract. The DCA conveyed in its SOP that the Framework for Competitive Bidding in Docket No. 03-0372 specifically provided exceptions for increasing firm capacity and seeking to renegotiate the power purchase agreement. In its decision and order, the PUC agreed and pursuant to the Consumer Advocate's position, added annual reporting requirements for HECO regarding AES's status.

Application for Approval of Waiver from the Competitive Bidding ("CB") Framework for Five Projects selected as part of HECO's Invitation for Low Cost Renewable Energy Projects on Oahu. (Docket No. 2013-0156)

On June 18, 2013, HECO filed an application for a waiver from the CB Framework for five (5) projects on Oahu. The CB Framework was adopted by the PUC on December 8, 2006, in Docket

No. 03-0372, to establish a process by which new large-scale generation would be built and acquired. The five projects, for which HECO seeks a waiver, represent a possible total addition of 64 MW of intermittent renewable energy and include four solar projects and one wind project. The average price for these five projects is 15.9 cents per kwh, which is significantly lower than the most recently approved PPA prices for other wind and solar projects in Hawaii. These projects were solicited by HECO pursuant to a notice for an invitation for low cost renewable energy projects on Oahu. HECO agreed to seek a waiver from the PUC from the CB Framework if developers met certain conditions that included pricing below 17 cents per kwh; evidence of site control; evidence of community outreach; and an agreement by the developer to disclose actual financial information.

DCA conducted discovery on HECO to insure that HECO's solicitation and selection process was fair and reasonable. On September 16, 2013, the DCA submitted its Statement of Position supporting HECO's request for a waiver from the CB Framework for these five projects.

*PUC Investigation for Oahu 200 MW Renewable Energy Request for Proposal
(Docket No. 2011-0225)*

On September 26, 2011, the PUC issued an order related to HECO's plan to acquire approximately 200 MW of renewable energy to be delivered to or on the island of Oahu. The purpose of opening this docket was to comply with the Framework for Competitive Bidding adopted by the PUC in Docket No. 03-0372. HECO drafted a Request for Proposal ("RFP") for 200 MW of renewable energy and an undersea transmission cable (200 MW RFP) with input from the DBEDT and interested stakeholders.

On July 11, 2013, the PUC issued a series of orders concerning the 200 MW RFP. First, the PUC recommended that HECO delete all references in the 200 MW RFP to a Maui/Oahu undersea cable and the Lanai Wind project that is subject to a term sheet entered into between Castle & Cooke and HECO. The PUC then opened an investigative docket to determine whether a Maui/Oahu undersea transmission cable was in the public interest and a second investigative docket concerning the Lanai Wind project. At present, the 200 MW RFP, the Oahu/Maui investigation, and the Lanai Wind investigation are all still pending before the PUC.

Other Docketed Matters

Liquefied Natural Gas ("LNG") Update

DCA continues to monitor the progress of both HECO and Hawaii Gas in their respective efforts to import LNG to the State of Hawaii. With mainland natural gas prices remaining low, the potential for Hawaii consumers to see reduced electricity rates with the importation of LNG remains a viable option. Analysis provided by HECO in the Integrated Resource Planning ("IRP") docket indicates that LNG is a cost-effective means by which HECO could comply with the EPA's new air quality standards and at the same time effectively lower customers' electricity bills.

HECO is narrowing its focus on LNG to a floating storage & re-gasification unit ("FSRU") with a ship-to-ship transfer at a site located in Middle Lock, Pearl Harbor Naval Shipyard. Hawaiian Electric is in discussions with the United State Navy for this project.

Hawaii Gas withdrew its application with the PUC for its planned Phase 1 of a three-phase LNG import plan. The need for small-scale shipments of LNG in ISO containers in Phase 1 was no longer needed when Tesoro entered into an agreement with Par Petroleum for the purchase of Tesoro's refinery and all other operations. Hawaii Gas was therefore assured of a continued supply of naphtha from the refinery, which Hawaii Gas uses to manufacture synthetic natural gas. Hawaii Gas will move forward with Phases 2 and 3, which will transition the importation of LNG from ISO containers to LNG tankers. Hawaii Gas considers an onshore storage and re-gasification unit at Barber's Point to be the optimal site to supply HECO and Hawaii Gas with natural gas. Hawaii Gas is also considering a small FSRU that might be located in Kalaeloa Harbor.

DCA is acting to facilitate discussions between HECO and Hawaii Gas. At some point, both utilities will need to come together to make key policy decisions: (1) Where should the storage and re-gasification unit be sited? (2) Should there be any onshore storage and re-gasification units or should it be offshore? (3) How will the LNG import terminal operator be selected – competitive bidding or other process? (4) What will be the purchasing arrangement for the two utilities in negotiating supply contracts – joint venture?

Feed-in Tariff Investigative Proceeding

On October 24, 2008, the PUC initiated an investigation into the implementation of feed-in tariffs ("FIT") for the service territories of the HECO Companies. On September 25, 2009, the PUC issued a Decision and Order establishing several policy principles that would guide the development and implementation of a FIT program for the HECO Companies' service territories. On October 13, 2010, the PUC issued an order that approved FIT Tiers 1 and 2 tariffs. On November 22, 2011, the PUC issued an order approving FIT Tier 3 tariff with modifications (based on comments from the DCA).

In 2012, additional activity related to efforts to clarify the program's rules caused significant activity such as motions and other filings from various interested parties, including the HECO Companies, the DCA, the PUC, and interested FIT applicants. On September 14, 2012, the PUC issued a decision and order that ruled on the various motions. The Decision & Order effectively removed certain FIT projects off the Tier 2 active queue, including projects on farms in Hawaii Kai who would have difficulty paying the new Kamehameha Schools Bishop Estate lease rents without the revenues expected from the proposed FIT solar energy PV systems. HECO attempted another motion for reconsideration that would have allowed Solar Hub's projects to remain on the active queue, but that motion was subsequently denied by the PUC. Solar Hub appealed these decisions to the Hawaii Intermediate Court of Appeals. These appeals were denied in 2013.

Decoupling Investigative Proceeding

As a result of Docket No. 2008-0274, the PUC approved a decoupling cost recovery mechanism for the HECO Companies, pursuant to the recommendation of the signatories to the 2008 Energy Agreement. Decoupling is the process of allowing the HECO Companies' to diminish the impact that changes in sales have on revenues. Thus, on an annual basis, each of the HECO Companies files a tariff to either return to or collect from customers the difference between actual revenues and the target level of revenues that is set in a rate proceeding. In FY 2013, each of the HECO Companies made their annual decoupling tariff filing and the DCA utilized internal and consultant resources to review the decoupling filings for each of the

HECO Companies and made various recommended adjustments that were generally adopted by the companies and the PUC.

On May 31, 2013, the PUC filed Order No. 31289 in Docket No. 2013-0141, which opened a new generic proceeding to reexamine the existing decoupling mechanisms for the HECO Companies. It is anticipated that this action will trigger a similar amount of work that was incurred during Docket No. 2008-0274 and have an impact on the HECO Companies and their ability to support the transition to a clean energy industry.

HECO Companies IRP

On March 1, 2012, the PUC issued an order commencing the HECO Companies' IRP process. The goal of the IRP is for the HECO Companies to develop an action plan that governs how the electric utilities will meet energy objectives and customer energy needs consistent with the State's energy policies and goals, while providing safe and reliable utility service at reasonable cost, through the development of resource plans and scenarios of possible futures that provide a broader long-term perspective.

The DCA was one of the 68 members of the IRP Advisory Group. The role of the Advisory Group ("AG") is to provide the utility with the benefit of various perspectives in the community by participating in the IRP process and representing diverse community, environmental, social, political, or cultural interests consistent with the IRP's goal. Besides the DCA, the Advisory Group was selected by the PUC and meant to represent a broad sample of interested stakeholders. A small sample of AG members is as follows:

Legislature – Senator Roz Baker, Senator Mike Gabbard, Senator Kalani English, Representative Denny Coffman. Environmental groups – Blue Planet, Life of the Land, Nature Conservancy. Businesses – Alexander & Baldwin, Chevron, Tesoro. Community interest groups – Friends of Lanai, Molokai. County – Maui County, Hawaii County, Honolulu County. Education – Punahou Schools. Government – U.S. Dept. of Defense, U.S. Dept. of Energy, DBEDT, Environmental Protection Agency.

The DCA participated in all of the AG meetings and, through the use of internal and consultant resources, the DCA offered various comments and recommendations. The DCA also engaged in separate meetings with various stakeholders, including the HECO Companies to discuss policy and technical questions and issues. The DCA also worked with relevant stakeholders to also facilitate the planning of agendas for AG meetings.

On June 28, 2013, the HECO Companies released their Action Plan (five year horizon), as well their 20-year horizon plan. Those plans represented well over 2,000 pages of technical analyses and discussion that reflected potential actions that might or could be taken to achieve the statutory goals of the renewable and energy efficiency portfolio standards, as well as to analyze additional issues identified by the PUC or AG members. Some of the key points identified or discussed in the HECO Companies' Action Plan included the probable retirement of certain fossil fueled generation, the introduction of new renewable resources (both firm and intermittent), consideration of the possibility of using liquefied natural gas to help lower the costs of electric service, the cost and need for the interisland cable between Oahu and certain neighbor islands, environmental impacts, as well as various other possibilities and factors. The DCA and its consultants pored through the plans to review their reasonableness and submitted comments in July 2013

on the action plan. The DCA and its consultants continue to review the documents and perform analyses to facilitate further work anticipated to be required in the upcoming stages of work in this proceeding.

Young Brothers, Limited's ("YB") Application for Zone of Reasonableness ("Zone Program") / Annual Freight Rate Adjustment ("AFRA")

The Zone Program was a result of an application originally filed on October 1, 2001, but was terminated by the PUC effective June 3, 2011 because of its concern that YB's trend of seeking annual rate increases by filing back-to-back applications for a rate case or Zone Program adjustment was not in the public interest. On September 20, 2012, in Docket No. 2012-0231, YB filed its application entitled "Application to Reinstitute Zone of Reasonableness Program Established", which would allow YB to annually adjust its rate within a zone of reasonableness without having to file and process a rate case. The DCA participated in a discovery process as well as participated in informal meetings with YB. YB withdrew its application on November 21, 2012, which the PUC approved in its Order No. 30852, on November 29, 2012.

On February 11, 2013, YB filed an application requesting PUC approval to establish an AFRA as a three-year pilot program during 2013 to 2015. YB described the proposed AFRA as a "formulaic approach to setting rates" based on a calculation that uses data from the most recent PUC approved test year revenue requirement with updates for certain revenue requirement components and annual rate adjustments would be based on a comparison between actual revenues for the most recent calendar year and the computed AFRA revenues. Rate adjustments under the proposed AFRA would be capped at 5.5% for both increases and decreases.

In its SOP filed on May 5, 2013, the DCA recommended PUC rejection of YB's application since YB failed to explain how the proposed AFRA benefits customers and is consistent with the public interest. The DCA also questioned the need for an automatic revenue adjustment clause, as well as observing that YB did not establish cost containment measures for expenses, had not developed metrics to evaluate the pilot program, and did not address the PUC's concerns expressed in its Order that terminated the Zone Program. YB filed its rebuttal SOP on May 10, 2013.

Transfer of Island of Lanai's Regulated Utilities as Part of the Sale of the Island

On June 19, 2012, Castle & Cooke filed an application to the PUC for approval of the indirect transfer of the three regulated utilities on the island of Lana'i – Lana'i Water Company, Inc. (potable water), Manele Water Resources, LLC (sewer treatment), and Lana'i Transportation Services Company, Inc. (bus transport between hotels and airport). The transfer of these utilities was part of the overall sale of the island of Lana'i from Castle & Cooke (David Murdoch) to Larry Ellison, founder of Oracle, who has an estimated net worth of \$36 billion. This application raised controversy because it included a request for temporary approval within six days to enable the sale to close on June 27, 2012.

On June 21, 2012, Castle & Cooke, Lanai Island Holdings LLC (buyer Larry Ellison), and the DCA entered into a settlement agreement under the following terms:

- The DCA would recommend to that the PUC enter an order of temporary approval of the indirect transfer;
- Neither the DCA nor the PUC waives any of their respective rights for a full and complete review of the application for final approval of the transfer;
- In the event that the PUC does not grant final approval, then the ownership, management, and operations of the three utilities would revert back to Castle & Cooke; and
- Lana'i Island Holdings LLC agrees to make \$10 million in infrastructure improvements over a period of five years as contributions in aid of construction, which means that none of the amounts expended will be paid for by ratepayers.

On June 26, 2012, the PUC approved the temporary transfer of the utilities and accepted the settlement agreement entered into by the DCA, Castle & Cooke, and Lana'i Holdings LLC. Once the interim approval was granted, this allowed additional time for the DCA to conduct further analyses into the reasonableness of the transaction. In the SOP filed by the DCA, filed in November 2012, the DCA recommended that the PUC continue to find that the transaction was in the public interest but that the PUC should adopt certain conditions. In December 2012, the DCA and Castle & Cooke entered into an additional settlement, which incorporated the requirement of \$10 million in contributions in aid of construction, as well as other most of the conditions that were recommended by the DCA. In February 2013, the PUC filed Decision and Order No. 30998, which essentially adopted the settlement reached by the parties, including but not limited to: the installation of a master meter near the production wells to better manage the water resources; none of the transaction or transition costs would be recovered from ratepayers; and the Lanai utility companies would work with the County of Maui to develop a water conservation plan.

Energy Efficiency Portfolio Standards ("EEPS")

Pursuant to the 2008 Energy Agreement, on March 8, 2010, the PUC initiated an investigation into the establishment and implementation of energy efficiency portfolio standards for the State. The PUC filed its Decision and Order No. 30089, on January 3, 2012, in Docket No. 2010-0037, which acknowledged concerns raised by the DCA regarding potential bill impacts. As a result, in the EEPS framework adopted by the PUC, EEPS' efforts by the technical working group must work with the DCA to evaluate bill impacts and ensure that consumers are not required to bear unnecessarily high costs associated with the EEPS. The DCA has been actively participating in the EEPS technical working group meetings that have occurred. Associated with this responsibility, the DCA has also been reviewing and commenting on applications filed by the utility companies and the public benefits funds administrator regarding energy efficiency measures to ensure that consumers' interests continue to be represented.

As part of the DCA's efforts in this area, the DCA has also been participating in Docket No. 2007-0323. In Docket No. 2007-0323, the PUC selected the firm that would be the Public Benefits Fund Administrator ("PBFA") responsible for the energy efficiency programs in the HECO Companies' service territories. The PBFA must provide an annual plan of how it intends to use the public benefit funds to support Hawaii's energy efficiency efforts in the HECO Companies service territories. The DCA raised a number of issues with the annual plan for the 2013 program year that included some of the issues that have been raised in previous years, such as: the need to increase efforts in the hard-to-reach market segments, better integration with the HECO Companies' long range planning so that ratepayers'

funds are not spent ineffectively on duplicative supply-side and demand-side resources, and providing more data to help decision makers evaluate whether the funds might be best spent. In the comments offered for the 2013 annual plan, the DCA also raised the issue of “stranded” customers who, because they are unable or unwilling to pay for distributed generation, such as photovoltaic systems on their roofs, will be left with ever increasing allocations of the electric utility cost of service (including the PBF surcharge), the issue related to whether the PBFA should be focusing on trying to use more of the money on program and customer incentives instead of administrative costs, and the need to re-evaluate the level of “free ridership,” which is where customers who would have made energy efficiency investments even without any additional incentive are being paid those incentives, which reduces the amount of money available for other purposes.

Reliability Standards Working Group

In August 2010, the PUC filed an order approving, with modifications, the HECO Companies’ proposal for a RSWG to assist in facilitating the continued movement toward a clean energy future and ensure reliability throughout the HECO Companies’ service territories. On September 8, 2011, the PUC initiated an investigation into the implementation of reliability standards for the service territories of the HECO Companies and established the RSWG. The PUC initially approved of the development of reliability standards in the PUC’s on-going investigation into the establishment of FIT for the service territories of the HECO Companies. (See the PUC’s Decision and Order filed on September 25, 2009 in PUC Docket No. 2008-0273, the PUC’s investigation into establishing a FIT program for the HECO Companies’ service territories; see also the DCA’s participation in Docket No. 2008-0273 in the summer of 2011). Since the opening of the proceeding the DCA, as a member of the RSWG, rigorously participated, in meetings, workshops and webinars dedicated to the identification of the scope, duties, and responsibilities of the PUC-approved RSWG.

In January 2013, the RSWG concluded its work by conducting its last meeting. In March 2013, the Independent Facilitator filed a 747-page report that submitted the RSWG’s final work products to the PUC for consideration and potential adoption. In May 2013, the PUC’s Technical Review Committee submitted a report offering its comments on the RSWG proceeding and its recommendations to the PUC on the Independent Facilitator’s report. The DCA filed comments to both reports. The results of this process were generally positive, but additional studies and analyses need to be conducted to support informed decisions on future steps to address the issues raised in this proceeding.

On-Bill Financing

As a result of Act 204, SLH 2011, the PUC opened Docket No. 2011-0186, on August 15, 2011, to investigate whether on-bill financing is a viable financing mechanism that should be implemented in Hawaii. There were various workshops and discussion involving the parties and the PUC’s consultant. On February 1, 2013, the PUC, in Order No. 30974, determined that an on-bill financing program for all electric utility customers in the Hawaii is viable, contingent upon the details of the on-bill financing program design. The PUC also determined that, rather than approve HECO’s proposed Simply Solar Pilot Program, a working group comprised of Parties and Participants from Docket No. 2011-0186, financial institutions, representatives of target on-bill financing customer groups, and other contributing entities should collaboratively work towards the development of an on-bill program that would target the hard-to-reach low income and rental customer markets.

The On-Bill Financing working group has been meeting regularly to discuss various policy, technical, and legal issues associated with the creation, funding, and administration of an on-bill financing program in order to make recommendations related to program design, operating procedures, program evaluation, measurement, and the integration into the EEPS goals. The DCA has been utilizing internal and consultant resources to monitor and offer appropriate comments to help address issues that may arise, including whether the program will actually benefit the target markets and the potential impact on non-participant customers. With the overall target of having a program ready for implementation in early 2014, a Request for Proposal to solicit bids for a Finance Program Administrator (“FPA”) for the On-Bill Financing Program was issued with the selection of the FPA to occur by the end of calendar year 2013.

Independent of the On-Bill financing docket, DBEDT developed an on-bill program that would utilize financial securitization concepts to lower financing costs for of any on-bill program. The securitization concept resulted in Act 2011, SLH 2013, relating to green infrastructure, which was the enabling legislation to support the use of securitization to decrease financing costs for renewable energy and energy efficient projects. The DCA supported the legislation through written and oral testimony.

Eligible Telecommunications Carrier (“ETC”) Designation and Annual Certification

Through the Federal Universal Service Fund (“USF”) program, certain telecommunications carriers receive monetary aid to facilitate the provision of services consistent with policies established by the FCC. As a result of concerns related to the USF program, the FCC sought to comprehensively reform and modernize the program, which significantly impacted the PUC’s review of applications related to ETC designation and annual certification processes. Among the changes introduced are the inclusion of broadband as a supported service and the transition for carriers from the legacy high cost support mechanisms to the Connect America Fund.

Even before the FCC filed its reform orders, the DCA sought modifications to ensure that the target markets were receiving the benefits of the Federal funds that were being directed to Hawaii. As a result of DCA concerns and the FCC reform orders, the DCA was responsible for coordinating efforts in Docket No. 2011-0052 to propose amendments to the review criteria relating to these reforms and changes for the PUC’s annual ETC certification requirements with the goal of enabling a more stringent review to ensure that the USF for both high cost and low income markets will be used for its intended purposes.

Docket No. 2011-0052 is still ongoing, but a new docket has been opened related to ETC designations. On March 27, 2013, the PUC initiated an investigation in Docket No. 2013-0066 to determine whether state designated ETCs that are participating in the federal USF high-cost support program should be certified by the PUC in 2013 pursuant to 47 C.F.R. § 54.314(a).

*Keamuku-Keahole 6800 69kV Line Reconstruction Phase 1
(Docket No. 2012-0392)*

On December 28, 2012, HELCO filed an application asking the PUC to approve the commitment of funds estimated at approximately \$6.2 million to reconstruct and reconductor one of the segments of the cross-island transmission between Keamuku and Keahole switching stations on the island of Hawaii. The proposed project is Phase 1 of a four-phase project in which reconstruction and rectoring of the remaining sections of the 6800 line (i.e., Phases 2 through 4) is the subject of another proceeding.

The DCA participated in a discovery process and filed its SOP in August 2013 addressing issues related to the reasonableness of the project. The DCA took the position that the reduction in transmission losses, efficiencies associated with operation and maintenance expenses, and operational dispatch should be reflected and captured to benefit HELCO's ratepayers.

Kahe 5 and Kahe 6 Turbine Control System Upgrade (Docket No. 2012-0218)

On August 31, 2012, HECO filed an application asking the PUC to approve the commitment of funds estimated at approximately \$8.0 million to upgrade the turbine control systems of its Kahe 5 and Kahe 6 generating units. DCA evaluated the need for the upgrade given the potential for these units to be retired or otherwise undergo significant future modifications to meet federal environmental regulations that go into effect in 2015.

Proceedings Involving Puhi Sewer & Water Co., Inc. ("PSW")

On May 21, 2013, PSW filed an application requesting that the PUC approve the sale and transfer of PSW and its assets to Aqua Puhi LLC. This proceeding follows several other dockets (Docket Nos. 2012-0181 and 2013-0001) wherein PSW asked the PUC to:

1. Amend PSW's Certificate of Public Convenience and Necessity ("CPCN") to authorize PSW to provide non potable water service to customers in PSW's PUC approved service territory, Docket No. 2012-0181; and
2. Amend PSW's CPCN to permit PSW to serve additional customers in an expansion PSW's PUC approved service territory, Docket No. 2013-0001.

Currently, proceedings in PSW's sale and transfer transaction docket are still ongoing. With respect to Docket No. 2012-0181, on April 19, 2013, following the exchange of discovery and information in the docket, PSW and the DCA filed a Stipulation of Settlement Agreement In Lieu of Puhi Sewer & Water Co., Inc.'s Response/Rebuttal Statement resolving all of the issues between PSW and the DCA in the docket. With respect to Docket No. 2013-0001, on July 8, 2013, following the exchange of discovery and information in the docket, the DCA filed a SOP not objecting to the expansion of PSW's PUC approved service territory in the docket. Currently, in Docket Nos. 2012-0181 and 2013-0001, the PUC has not issued decisions and orders resolving all of the issues in those dockets.

HECO Companies Request for a New Interactive Voice Response ("IVR") System (Docket No. 2012-0331)

On October 19, 2012, the HECO Companies filed an application to: (1) defer certain computer software development costs; (2) accumulate an allowance for funds used during construction during the deferral period; (3) amortize the deferred costs; and (4) include the unamortized deferred costs of the IVR System Replacement. The DCA filed its information requests on February 1, 2013.

In its SOP filed on April 2, 2013, the DCA objected to the proposed project because of various concerns. On April 23, 2013, the HECO Companies filed a Reply SOP, stating that it appeared that the DCA's objection to the approval of the application was based on a misunderstanding of the purpose of the IVR System Replacement project. Oral argument on this matter is scheduled for November 5, 2013.

Pest Control Operators Exemption Analysis

As a result of Act 141, SLH 2004, Hawaii's One Call Center ("One Call") was established (this is discussed further in the advocacy through participation on committees and boards). The purpose of One Call is to provide a single location where excavators could call to verify the location of underground facilities to mitigate the damage and service interruption that might otherwise occur when excavation might damage underground utility infrastructure.

However, Act 72, SLH 2009, allowed pest control operators a temporary exemption from the One Call requirements on the assertion that the One Call requirements should not apply. In the SLH 2012, the pest control operators sought to make the exemption permanent, but due to concerns that were raised, the PUC opened Docket No. 2012-0043 to investigate whether it is reasonable to allow the exemption to be made permanent. As a result of the analysis conducted in that proceeding, the PUC filed its decision in May 2013, where it determined that a conditional waiver of the applicability of the One Call Center requirements to pest control operators could be implemented. If, however, future data suggests that there is an increasing frequency and cost associated with any damages, this waiver would be re-examined.

Application by Hawaiian Telcom, Inc. ("HTI") and Wavecom Solutions Corporation ("Wavecom") for an Exemption or Waiver from All Regulatory Requirements or Approval of HTI's Purchase of Wavecom

On July 16, 2012, HTI and Wavecom filed an application for an exemption or waiver from regulatory requirements, or in the alternative, approval for HTI's purchase of all of Wavecom's stock. In its SOP, filed on September 20, 2012, the DCA objected to the PUC's approval of an exemption or waiver from regulatory requirements based on the potential for wholesale services pricing discrimination, a greater concentration of market power of the interisland fiber optic network, and control of key network assets. The DCA, however, did not object to approval of the application, subject to certain conditions, since Wavecom's financial viability was questionable and the transaction would allow HTI to continue to provide services to Wavecom's customers. The PUC issued its Decision and Order on December 28, 2012, approving the application and adopting the DCA's conditions.

HT Companies Refinancing (Docket No. 2013-0110)

On May 9, 2013, Hawaiian Telcom, Inc. and Hawaiian Telcom Services, Inc. (together referred to as "HT Companies") requested PUC approval of the proposal to refinance their existing \$300 million term loan. The proposed refinancing would allow the HT Companies to reduce their current interest rate by 1.5% to 2.0% resulting in cash flow savings of approximately \$14 million over the term of the loan.

After conducting discovery, on May 28, 2013, the DCA filed its SOP recommending approval of the HT Companies' application with the condition that the funds from the improved cash flow: (1) be used to facilitate the deployment, operating and/or maintenance of broadband facilities, (2) be used to facilitate the implementation of Next Generation 9-1-1 ("NG 911"), and (3) not be used for bonuses and executive compensation.

On June 3, 2013, the PUC issued its Decision and Order approving the proposed refinancing, and adopting the DCA's conditions. On July 18, 2013, the HT Companies and the DCA made a joint filing that elaborated that the HT Companies would invest \$10 million of the total projected cash flow savings and

that it would be allocated where \$7 million will be utilized for the deployment, operating, and/or maintenance of broadband facilities and \$3 million will be utilized for the implementation of NG 911.

HECO Companies Enterprise Resources Planning and Enterprise Asset Management System (Docket No. 2013-0007)

In this proceeding, the HECO Companies are seeking approval to install and recover the costs associated with a new Enterprise Resources Planning and Enterprise Asset Management system to replace the current system(s) that the HECO Companies claim is obsolete and needs replacement. The proposed system is projected to cost approximately \$88.5 million, where approximately \$82.4 million will be possibly included as capitalized costs to be recovered from ratepayers.

The DCA has been reviewing the proposed system and the need to replace existing systems. As a result of some of the concerns raised by the DCA, the HECO Companies submitted supplementary testimonies and support that quantify cost savings and benefits that are purportedly expected from the new system, if approved. To determine whether the proposed system provides a reasonable level of cost savings and benefits, the DCA conducted discovery, engaged in discussions and technical meetings, and reviewed the information provided by HECO in order to develop testimonies, exhibits and workpapers.

HELCO Approval of Deferral of Costs Related to the Geothermal Firm Dispatchable Capacity Request for Proposals

On July 2, 2012, HELCO filed an application asking PUC approval for: (1) deferral of non-labor costs (“Geothermal RFP Costs”) associated with the HELCO’s request to acquire up to 50 MW of dispatchable renewable geothermal firm capacity (“Geothermal RFP Project”) from the date of filing the application through the date HELCO selects the final award group of bidders (projected in May 2014), in order to preserve HELCO’s ability to seek cost recovery through a future rate case, or through a surcharge mechanism; and (2) accrual and deferral of a carrying charge equivalent to HELCO’s allowance for funds used during construction rate on the Geothermal RFP Costs, until HELCO begins recovering Geothermal RFP Costs through either the effective date of a rate increase including these costs or through a surcharge mechanism. HELCO believes that the Geothermal RFP is an opportunity to advance the State’s energy policies, is consistent with HELCO’s IRP, and will serve the customers’ interests, all at reasonable cost.

The DCA is conducting discovery in this docket.

Smart Meters

Smart meters, or advanced metering infrastructure, replace the older traditional electric meters and allow for real-time communication between the customer and utility, providing more information and options to consumers to lower consumption and cost, and better service. KIUC, which provides electric service to roughly 33,000 customers on the Garden Island, began installing smart meters in April 2012. In July 2013, KIUC reported installing 27,000 meters to date, with about seven percent deferring installation. Reasons for deferral included privacy and health concerns, with the latter the most commonly noted. As a result of some of those concerns, docketed complaints were filed by certain customer, such as in Docket Nos. 2012-0163 and 2012-0171. One individual on Kauai filed a federal injunction against the installation of smart meters. KIUC eventually reached a settlement, deferring installation. The complaints filed with the PUC were dismissed, mainly due to the fact that they were moot following the resolution of the initial

federal case. KIUC is still developing a more permanent opt-out program. The HECO Companies plan to roll out smart meters statewide in the near future, also with an opt out option, but have not yet filed for approval with the PUC.

HECO Companies EV-F and EV-U Tariffs

In FY 2013, the HECO Companies proposed to initiate two new tariffs, EV-F (a new tariff to be charged to vendors who seek to provide electrical charging services to electric vehicles (“EV”)) and EV-U (a new tariff that would allow the HECO Companies to charge the operators of EVs for fast charging services). These new tariffs were proposed with the intent of encouraging the installation of more level 2 and level 3 EV charging stations throughout Hawaii to support the growing market of EVs on all islands. As a result of these tariffs, concerns were raised by DBEDT, Better Place (an EV charging vendor), and the DCA with the HECO Companies’ proposals. The PUC acknowledged the concerns raised and ordered the HECO Companies to work with the interested stakeholders. Some of those concerns involved what types and the levels of possible subsidies might be associated with this service, whether sufficient incentives exist to encourage more Hawaii residents and businesses to adopt EV technology, and whether the proposed tariffs might preclude effective competition from other potential market participants. After a number of discussions and meetings, the parties developed a settlement that supported revised tariff language to address the concerns. The PUC approved the revised tariffs, which should encourage and support the installation of more level 2 and level 3 EV chargers across Hawaii to foster the further development the purchase and use of EVs and the EV industry in Hawaii.

PUC Investigation of Replacement of Utility Poles (Docket No. 2013-0082)

Residents in Kaneohe complained of HECO’s intent to replace older poles with new taller poles, alleging that their view of Kaneohe Bay will be negatively impacted. On April 12, 2013, the PUC initiated an investigation to solicit and gather evidence and documents from the 47-416 Lulani Street Residents, as well as from HECO, to allow for consideration and determination of whether an exemption or waiver of the regulatory provisions regarding requisite maintenance and replacements of wood utility poles for residential consumers is in the public interest. Back in April 11, 2007, the PUC formalized the adoption of industry-accepted standards for the installation, operation, and maintenance of overhead and underground electrical supply and communication lines regarding public utility service in the State.

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, SLH 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, SLH 2004, also established a Wireless Enhanced 911 Board that oversees the collection and distribution of money collected by the E-911 special fund and designates the Executive Director of the DCA as a member of the board. The DCA, through its Executive Director and staff, 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.

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, HRS, Act 141, SLH 2004. This advisory committee was integral in developing the request for proposals for a vendor to operate a “call-before-you-dig” system. The system, which was operational on January 1, 2006, will 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. This will ensure greater public health and safety, and ultimately save excavators time and money.

Hawaii Energy Policy Forum

The Executive Director of the DCA is a member of the Hawaii Energy Policy Forum (“HEPF”), which is a collaborative organization of the University of Hawaii at Manoa. HEPF consists of members from the business, government, and regulatory communities. Meetings are held quarterly to discuss Hawaii’s energy needs for both electricity and transportation. HEPF provides support to other organizations, such as the Hawaii Clean Energy Initiative Steering Committee. In FY 2013, the DCA continued to maintain its active role in the meetings providing input to HEPF concerning consumer concerns in the regulatory process before the PUC and the difficulties facing the state in achieving reliable electricity service at reasonable rates.

Hawaii Clean Energy Initiative (“HCEI”)

On January 31, 2008, the State of Hawaii and the United States Department of Energy (“U.S. DOE”) launched the HCEI, an agreement, which among other things, established for the State a goal of 70% clean energy resource use by 2030. The State and the U.S. DOE formed various committees designed to examine differing aspects of the State’s energy use – transportation, electricity, energy efficiency, etc. The DCA is participating in the HCEI’s Integration Committee, which, with the aid of U.S. DOE experts, seeks to consolidate the themes and suggestions put forth by the remaining committees.

As part of HCEI, the Executive Director of DCA also participates in the Steering Committee, which deals with the high level planning associated with various aspects of the technical committees that are analyzing various areas (electricity, end-use efficiency, transportation, fuels, and outreach) that are expected to be integral to the success of HCEI.

The DCA also participates in the Technical Advisory Group (“TAG”) that is responsible for evaluating the energy efficiency process that has been transitioned from the HECO Companies to a third-party administrator, also now known as Hawaii Energy. As part of this process, the TAG currently meets on a quarterly basis and evaluates various aspects of the measures being implemented to help plan, evaluate, and implement energy efficient programs in the service territories of the HECO Companies. Using the monies collected through the Public Benefits Fund surcharge, the TAG evaluates the use of the monies to help Hawaii’s efforts to reduce its over-reliance on imported fossil fuels.

Since there have been many changes since 2008 in the energy markets in Hawaii and the world, those changes have affected the visions of what can and should be done in Hawaii and the world’s energy markets. The signatories to the 2008 Energy Agreement have worked diligently on promulgating the

objectives and projects identified in the 2008 Energy Agreement and the DCA has offered comments to help balance consumer interests when evaluating Energy Agreement projects. There have been comments that, given the progress accomplished and the changes in the energy markets, it may be time to revisit the 2008 Energy Agreement to see whether it should be modified or replaced with an entirely new agreement. The DCA will continue to monitor and participate as appropriate in any such efforts.

Education and Outreach

During the past year, the DCA has continued to focus 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. In addition to attending community fairs, the DCA publishes its own newsletter and has increased the plan frequency of these newsletters from a quarterly to monthly schedule. In addition, the DCA is focusing on improving its web presence by keeping the online information relevant and informative.

Financial Summary

The CRF financial summary² relating to DCA for fiscal year 2013 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$1,161,203	\$570,557	\$1,731,760	\$2,715,111

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. These efforts place the DCA 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.

² These are pre-close numbers.

DIVISION OF FINANCIAL INSTITUTIONS (DFI)

website: <http://cca.hawaii.gov/dfi/>

e-mail address for general matters: dfi@dcca.hawaii.gov

e-mail address for mortgage loan originator program: dfi-nmls@dcca.hawaii.gov

OVERVIEW

The Division of Financial Institutions' (DFI) Mission: DFI ensures the safety and soundness of state-chartered and state-licensed financial institutions, and ensures regulatory compliance by state-licensed financial institutions, escrow depositories, money transmitters, mortgage servicers, mortgage loan originators and mortgage loan originator companies, by fairly administering applicable statutes and rules, in order to protect the rights and funds of depositors, borrowers, consumers and other members of the public. In order to effectively regulate a growing and diverse group of industries and implement state and federal regulatory requirements, the DFI made changes to its licensing and examination programs to focus its resources on risk based supervision. Revenue shortfalls impacted DFI by not allowing the Commissioner to hire adequate staffing; at the end FY13, DFI did not have adequate funding for all authorized positions in the organization structure. The inadequate funding led to the backlog in the licensing branch of 120-180 days before DFI could review a request from a licensee or applicant. This delay ultimately impacts new applicants that are starting their businesses in Hawaii. These budget shortfalls have been remedied in part by fee adjustments made by legislation enacted in 2013 (Acts 166, 167, 168, 92 and 172), discussed below.

DFI provides regulatory oversight for our state's financial service providers. DFI is charged with the supervision, regulation and examination of all Hawaii State-chartered and State-licensed financial institutions, including banks, foreign banking agencies and representative offices, savings banks, trust companies, and financial services loan companies (both depository and non-depository), and credit unions. DFI also licenses and regulates, supervises and examines escrow depositories, money transmitters, mortgage servicers, mortgage loan originators and mortgage loan originator companies. 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 ("FRB"), the Consumer Financial Protection Bureau ("CFPB"), and the National Credit Union Administration ("NCUA").

DFI was first accredited by the Conference of State Bank Supervisors (CSBS) in 1990 and reaccredited in 1995, 2000, and 2005. The CSBS accreditation program sets high standards for state banking regulators nationwide. The previous administration did not undergo the accreditation process in 2010. The current commissioner was appointed in 2011 and determined the DFI should go through the accreditation process. In December 2012, CSBS accredited DFI as a fully accredited agency.

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 or dfi-nmls@dcca.hawaii.gov (mortgage loan originators and mortgage loan originator companies).

Composition:

DFI is led by the Commissioner of Financial Institutions. The Commissioner is assisted by an *Administrative Section* consisting of the Deputy Commissioner, a specialist, a regulation analyst, and a secretarial staff supervised 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 oversight 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 supervised by its own Branch Manager. The *Field Examination Branch* is responsible for the on-site examination of all state-chartered and state-licensed financial institutions³. 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 quarterly off-site monitoring program, responding to complaints and inquiries, and investigating alleged violations of state law. Licensing activities include review and analysis for all applications for new financial institutions, closure of any branches, opening or relocation of branches, addition of new or unique services to determine whether consumer may be harmed by the action of any licensee. The Licensing and Regulatory Analysis Branch Manager⁴ also assists the Deputy Commissioner in administrative matters such as legislation, training, and budgetary items.

GOALS and OBJECTIVES

Division Goals:

Our mission reflects the increased focus of our role in, not only protecting consumers, but in educating them to protect themselves. Recent legislation in the financial services area reflects the need to educate consumers of financial services in order to prevent consequences such as those currently seen in the sub-prime lending crisis. Regulation and appropriate enforcement, hand in hand with consumer education and awareness are the best defense in protecting consumers, especially in times of economic downturn. DFI faces a number of challenges in the next few years including: the impact of the economy on financial service providers and consumers; dealing with increased complexity in our financial markets and products which can lead to increased opportunity for fraudulent activity; and dealing with the threat of federal preemption of our regulatory authority at a time when our services are needed the most.

DFI's goals center on the orientation, training, and effective deployment of its Examiners and providing best practices to our licensees in a professional manner. Federal programs administered by the FDIC and the Federal Reserve are regularly used for this purpose, as are web-based programs provided by CSBS, the Risk Management Association, and the Hawaii Financial Regulatory Compliance 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 who will be able to comprehend and adjust to an ever changing financial services industry. New financial service products continue to be created, modified, and initiated by licensees regulated and supervised by DFI. The delivery methods have also expanded with the use of the internet and mobile cellular telephones or other mobile devices. Consequently, the orientation and training for

³ Financial institutions include banks, savings banks, trust companies, financial service loan companies (depository and non-depository), escrow depository companies, money transmitters, mortgage loan originators and mortgage loan originator companies. The 2013 Legislature provided authority to DFI to examine mortgage servicers.

⁴ DFI continues to recruit for this position. This position has been vacant since 4Q 2010. Although DFI has interviewed a few candidates for this position, no qualified candidate has applied for this position.

Examiners have been challenging to keep up to date with the latest iteration of products, services and delivery methods.

Objectives and Policies:

As a part of the CSBS accreditation process, DFI established a strategic plan and developed policies and operating guidelines to achieve plan objectives. DFI went through a year-long strategic planning effort with the entire staff in 2012. DFI's strategic plan calls for it to:

- Stay relevant in a changing environment
- Provide value for the services we offer
- Expand employee's skill set
- Embrace the new regulatory and compliance environment
- Deliver effective and timely services
- Communicate in a respectful, timely and meaningful manner.

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

Action Plan:

DFI's action plan is built around its strategic plan. The timetable calls for reaching its goals in a three to five year time frame as it must provide additional training for staff and provide new training to meet the regulatory needs required by the federal regulations and expected by consumers who use our financial institutions. DFI staff is meeting regularly to solidify specific action plans to accomplish our goals.

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 financial institutions using both regular financial and examination based measurements. The second is the measurement of DFI's internal throughput – that is, how many complaints have been answered, how many applications processed, etc. The first measurement is critical, especially in the current climate of global turmoil in the financial services industry, and demonstrates performance in DFI's key area of responsibility - to ensure the safety and soundness of Hawaii-chartered and licensed 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. The second measurement is also viewed as the "pulse" of Hawaii's financial institutions in terms of any "hot button" issues facing consumers.

ACCOMPLISHMENTS

1. CSBS Accreditation – In December 2012, DFI was accredited by CSBS (Conference of State Bank Supervisors) and recognized as a state banking department as having the ability to provide safe,

sound and well-regulated financial institutions to meet the unique financial needs of local economies and citizens. DFI is recognized as an organization that can provide knowledgeable and professional staff for bank examinations and licensing requests.

2. Licensing Branch – Although the licensing branch is currently experiencing a 120-180 day backlog, we have been able to process existing licensee branch relocations, closures and new locations timely. Our financial institutions have not been delayed in their operations in opening or relocating branches to serve the public.
3. Field Branch – DFI continues to take the lead as the regulatory agency for at least one bank examination and one visitation with the FDIC. Staff continues training to be more confident with their skills to be the lead agency in supervising an annual examination and a visitation between full safety and soundness exams (mini-bank exam). The visitations are conducted with the FDIC.
4. Renewal of Licenses – The licensing branch is able to complete the review of applications for renewal of licenses in a timely manner. DFI continues to make every effort to renew licenses by the renewal date as long as the licensee complies with the application due date.
5. DFI Website – DFI continues to update its website at least weekly with new licensees or new contact information from existing licensees. DFI posts information in its Toolbox for consumers and licensees to use. DFI has used videos to provide information to MLO and MLOC licensees during the renewal process.
6. Business Continuity / Disaster Planning – The Commissioner joined the Civil Defense’s Makani Pahili Diaster week-long training exercise as an active participant. We continue to meet with banks to improve communication and disaster planning.
7. CSBS District V – The Commissioner serves as the Chairperson for the CSBS District V consisting of the commissioners for banking departments in the Western states of the U.S. As Chair, the Commissioner coordinates semi-annual meetings of the District V states to discuss emerging issues in supervision, regulation and examination with emphasis on the states located in Alaska, Arizona, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, and Washington.

Efficiency:

1. Automated the initial application and renewal process for the Mortgage Loan Originator Program. The automation includes the filing of any additional documentation through the NMLS system. All states can share regulatory information with one another to assist in licensing and enforcement of multi-state licensees.
2. June 2013 - Completed the upgrade for all DFI employees to have a new laptop or desk top computer. The upgrade was necessary as the FDIC and FRB updated its platforms to allow for electronic storage and examination procedures. All affected staff was provided training.
 - a. Additional portable screens were purchased to use during the electronic examination so that examiners did not have to toggle between screens.
 - b. Portable scanners were purchased for examiners to use during the examination. Banks and other licensees are reluctant to allow Company documents to leave its premises due to security issues. The scanners allow DFI examiners to scan the necessary documents on Company premises.
 - c. Hot-spot internet devices were purchased for examiners to use. The banks and DFI are concerned with electronic security; therefore, DFI uses its own secure portable internet devise during examinations.
 - d. Storage of data – DFI has a 1 Terabit secure storage unit to store examinations.

Mortgage Recovery Fund:

The Mortgage Recovery Fund was created to allow recovery for a consumer aggrieved by an act, representation, transaction, or conduct of a licensee involving fraud, misrepresentation, or deceit. Consumers may recover from the Mortgage Recovery Fund with an order of the circuit court or district court of the county where the violation occurred, an amount of not more than \$25,000 per transaction, including court costs and fees as set by law and reasonable attorney fees as determined by the court, for damages sustained by the fraud, misrepresentation, or deceit of a licensee. In FY13, the Commissioner revoked licenses of a mortgage loan originator and mortgage loan originator company for fraud, misrepresentation or deceit on consumers. DFI understands that consumers are seeking recovery for their damages sustained by the actions of the MLO and MLOC.

The current balance of the Mortgage Recovery Fund as of June 30, 2013 is \$803,115. The maximum recovery for each license is \$100,000 which may be divided among the claimants as the court determines. DFI anticipates a court order to compensate these claimants; however, due to the \$100,000 expenditure ceiling, it will take at least two fiscal years for these claimants to receive their damages.

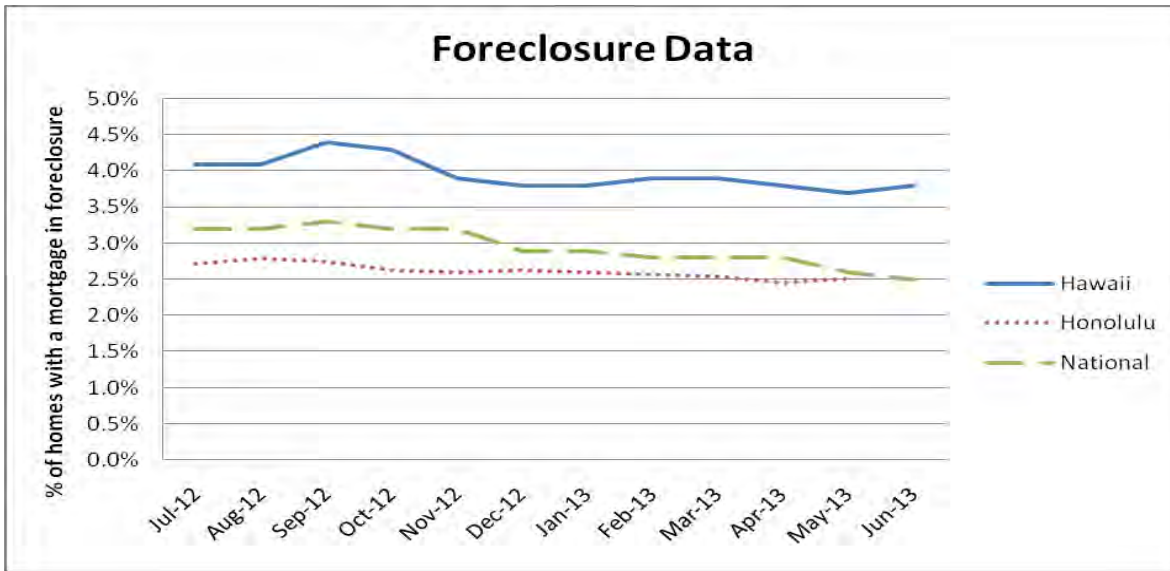
National Mortgage Settlement:

In February 2012, 49 states (including Hawaii) and the federal government entered into a historic joint state-federal settlement with the country's five largest mortgage servicers: Ally/GMAC, Bank of America, Citi, JPMorgan Chase, and Wells Fargo. DFI monitored the settlement agreement compliance with information from the Federal monitor.

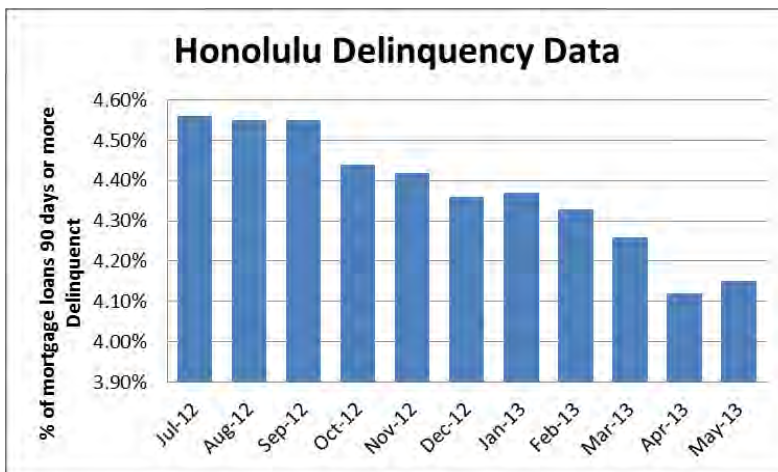
DFI monitored the financial reports that the five mortgage servicers submit to Joseph A. Smith, Jr., the Monitor of the National Mortgage Settlement. In comparing the financial reports with the reports from the U.S. Department of Housing and Urban Development (HUD) and data from CoreLogic⁵, Hawaii residents appeared to be benefitting from the settlement. The five mortgage servicers reported consumer relief of \$187,063,270 to 1,705 borrowers in Hawaii from March 1, 2012 – June 30, 2013.⁶ The CoreLogic data for Hawaii and Honolulu tracked the national foreclosure rate which was a decreasing trend in the foreclosure rate, measured as the percent of homes in foreclosure out of the total number of homes with a mortgage. While Honolulu's foreclosure rate is lower than the national foreclosure rate, Hawaii's rate remains above the national average.

⁵ A provider of property information, analytics, and business services.

⁶ State Consumer Relief Information for Hawaii from 03/01/12 – 06/30/13



Along with the foreclosure rate, Honolulu’s mortgage delinquency rate has been steadily decreasing.⁷ In April 2013, 4.12 percent of mortgage loans were 90 days or more delinquent compared to 4.5 percent for the same period last year, representing a decrease of 0.38 percentage points. In May 2013, 4.15 percent of mortgage loans were 90 days or more delinquent compared to 4.50 percent for the same period last year, representing a decrease of 0.35 percentage points.⁸

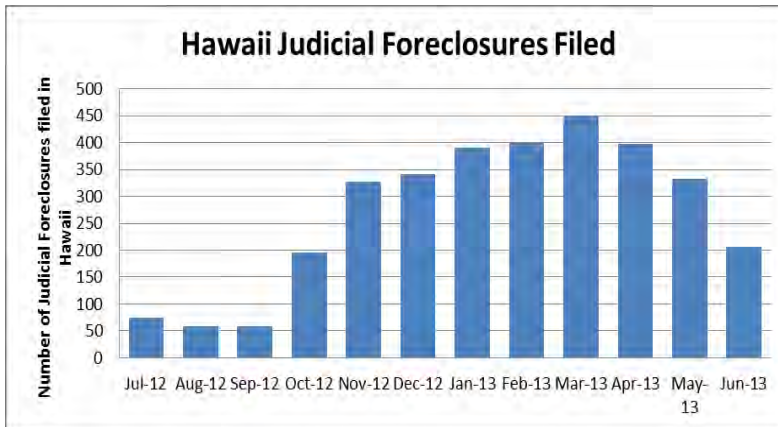


The number of judicial foreclosures filed in Hawaii peaked in March 2013 and is now decreasing.⁹ The National Mortgage Settlement appeared to have a delayed effect in the decrease of judicial foreclosures filed in Hawaii.

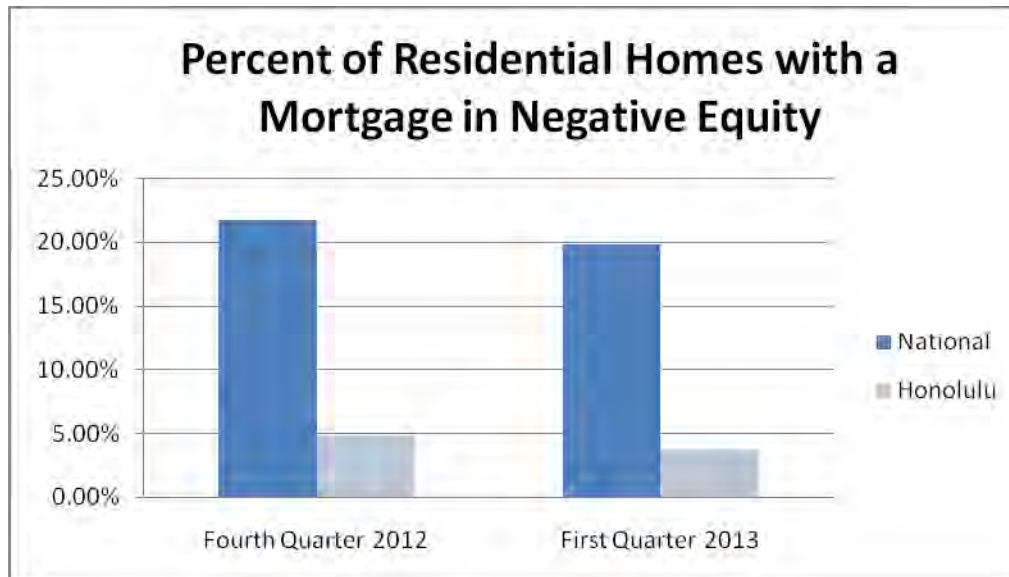
⁷ CoreLogic Local Level Foreclosure Report dated June 26, 2013.

⁸ CoreLogic Local Level Foreclosure Report dated August 1, 2013.

⁹ Judicial Foreclosure Cases and Conversion Petitions Filed: Judicial Foreclosure Cases Filed All Circuits, 2010 - 2013



Moreover, the number of residential properties with negative equity decreased nationally as well as locally. Negative equity means that borrowers owe more on their mortgages than their homes are worth.¹⁰ A decline in value, an increase in mortgage debt, or a combination of both can result in negative equity. The National Mortgage Settlement may have contributed to the decline in negative equity by providing mortgage debt relief to consumers in the form of trials, lien modification forgiveness, and short sales, among others. As a result, more consumers have positive equity in their homes in 2013 compared to fourth quarter 2012.



While the decrease in foreclosures, delinquencies, and negative equity can be attributed to a combination of factors, the National Mortgage Settlement appeared to positively impact the residents of Hawaii. DFI will continue to monitor the financial reports submitted by the five mortgage servicers and the continuing effects of the National Mortgage Settlement on Hawaii consumers.

¹⁰ CoreLogic Reports 850,000 More Residential Properties Return to Positive Equity in First Quarter of 2013.

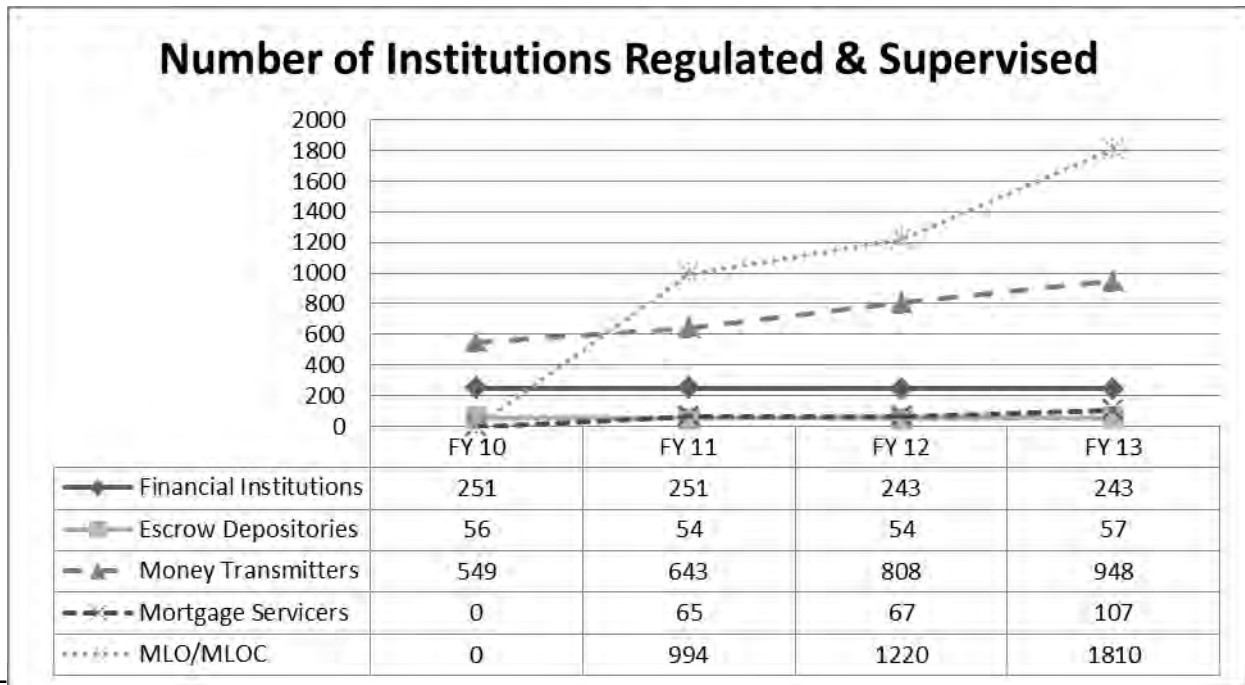
There are new mortgage servicing rules going into effect on January 10, 2014. DFI has been sharing information with the industry in anticipation of the implementation of the rules with financial institutions who must comply with the new rules. In addition, DFI will update its examination program to include the new servicing rules when it examines companies starting in Q3 or Q4 FY14.

Staffing:

1. Our staffing in the field branch went from 10 examiners to 5 examiners. Many of the examiners left as the changes for accreditation were implemented, although it was the field examiners who felt the accreditation was important. We are recruiting 3 civil service examiners. We are also requesting the establishment of 2 exempt positions. These 5 examiners are needed as the examination staff must examine the five industries licensed by DFI. The 10 examiners were originally tasked to examine banks and escrow depositories.
2. We requested to convert the Licensing Branch manager from a civil service to exempt position after the position had been vacant for 3 years and DFI was unable to fill the civil service positions. The continued inability to fill this position had hampered the hiring of additional staff members and has contributed to backlogs in the branch.
3. We filled all the licensing branch positions (except the manager). We anticipate we need at least 3 more positions to process the applications for mortgage servicers and money transmitters. We are currently using temporary staff paid for by the mortgage servicing settlement funds to augment our licensing staff; although these staff persons concentrate most of their time on the MLO program.

Workload and Budget Impact:

As noted above, DFI's workload has increased dramatically, both in the type and number of institutions regulated (see chart below) and in the scope and complexity of the work. However, DFI's revenues have not been sufficient to allow DFI to fully fund all of its positions, resulting in delays in processing applications and complaints, responding to inquiries, and handling other administrative matters. To address this shortfall so that DFI has the funds to hire the necessary staff, DFI introduced bills in the 2013 legislative session that sought to increase the fees currently collected from all industries it supervises and regulates, many of which have not been increased in years. The increase in fees for each type of institution is designed to have the revenues from each industry cover DFI's costs of regulating and supervising that industry. These bills were successfully enacted as Acts 166, 167, 168, 92 and 172, relating to Escrow Depositories, Money Transmitters, Mortgage Loan Origination, Mortgage Servicers, and Financial Institutions, respectively ("2013 Acts").



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Legislation:

DFI appreciated the Legislature’s support in the passage of all five of its Administrative bills during the 2013 session, all of which were signed into law by the Governor. The 2013 Acts adjusted industry fees and commissioner powers, which will help DFI carry out its statutory licensing, examination, enforcement and oversight duties. The timing of the Acts was critical, as the financial industries under DFI’s watch are becoming increasingly complex and sophisticated, with continuously changing federal laws and regulations, and rapidly changing technology.

The enhanced industry revenue generated by the 2013 Acts provides funds enabling DFI to fill long-time vacancies. New staff hires will help execute DFI’s statutory responsibilities, and reduce work backlogs to improve service to the public and licensees. The chart below summarizes the revenue impact of the new Acts, by program:

Program	2013 Act	Program Surplus or (Deficit) FY12	Additional Program Revenue from 2013 Acts (est.)
Escrow Depositories	166	(\$250,459)	\$23,245
Money Transmitters	167	\$18,941	\$110,100
Mortgage Loan Origination	168	(\$94,321)	\$10,000
Mortgage Servicers	92	(\$173,942)	\$7,875
Financial Institutions	172	(\$1,170,349)	\$272,590

The following comments that follow will provide some perspective on the figures above. The Escrow Depositories program will remain significantly underfunded despite the 2013 fee adjustment. DFI is a self-funded division; however, there are practical constraints on the pace of recovery of program

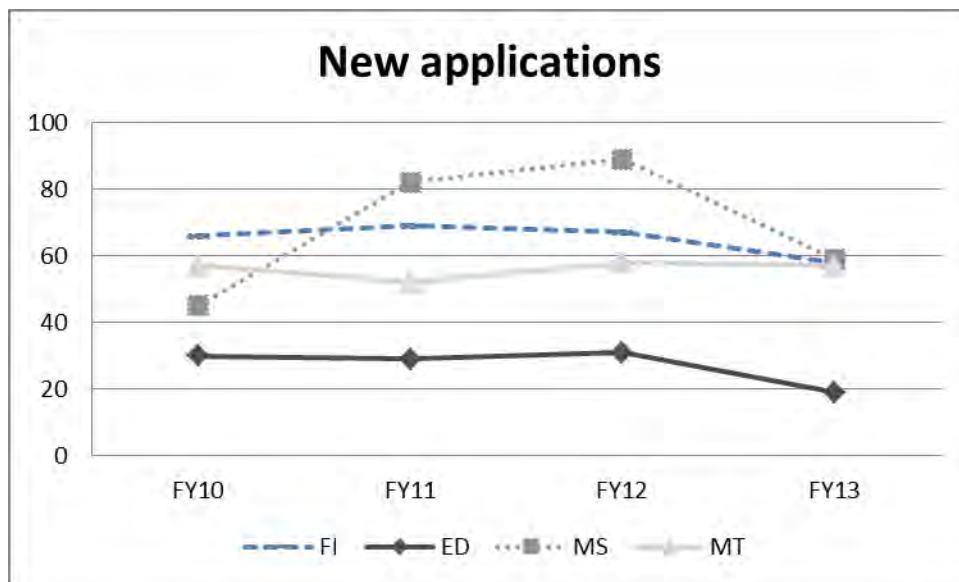
operation deficits from industry. The escrow depositories industry has only eight licensees, and industry revenues have been impacted during a period of fewer real estate transactions.

The Money Transmitter program ended with a surplus in FY12 because theretofore, an insufficient revenue stream precluded DFI from hiring needed staff. The 2013 Act fee adjustments will help pay salaries of newly hired staff, dedicated to helping to oversee this increasingly sophisticated industry with emerging technological advances. At one time, the money transmitter industry in this State may have been associated with smaller “mom and pop” stores, but today new issues are constantly arising from the growing popularity of money transfers via virtual wallets and mobile devices, expanding use of internet money transfers and prepaid cards, the rise of virtual currencies, and rapidly developing technology. DFI is working to address these issues as they impact consumer security and privacy, potential money laundering and fraud, and others.

New Applications:

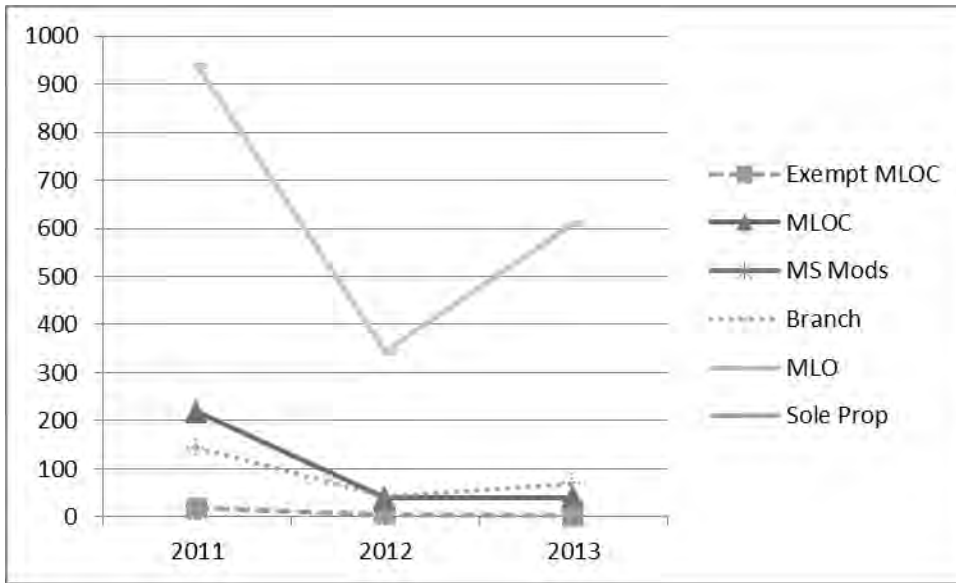
Until July 2006, the Division supervised and regulated financial institutions and escrow depositories with five licensing examiners and eight field examiners. In July 2006, the Division began oversight of money transmitters. In July 2010, the Division began supervision and regulation of mortgage servicers. Then in January 2011, the Division began its supervision and regulation of mortgage loan originators and mortgage loan originator companies.

The charts below show the percentage of new applications received for each industry, except the MLO/MLOC applications¹¹. These applications were processed by the licensing staff.



Applications processed by the MLO Program staff; note, the license type MS Modifications began in 2013 and until July 2013, all sole proprietor statistics were included in MLO (individuals):

¹¹ This program has a dedicated staff of four employees.



The CRF financial summary relating to DFI for FY13 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$2,332,464	\$364,720	\$2,697,184	\$3,623,557

CONCLUSION

During FY13, while DFI maintained its established regulatory, supervisory, and licensing programs, and devoted considerable resources to developing and implementing the new mortgage servicer and mortgage loan originator programs, it was challenged by the funding and staffing problems.

The impact of the current “global financial crisis”, with its attendant disruption to the normal pattern of financial services product delivery, has affected both our local economy and all financial institutions operating in the State. Increased supervisory oversight is mandated by new federal laws and expected by consumers. The increased supervisory oversight brings increased costs and expenses for both DFI (and the five industries it supervises) to validate compliance with the new federal laws. In addition, DFI must keep abreast of the emerging issues and technological advances in order to not fall behind the industry’s advances and to protect consumers.

DFI continues to aggressively respond to these rapidly changing global and local economic conditions and pursues the active regulation and supervision of Hawaii-chartered financial institutions to preserve their safety and soundness and protect the rights of depositors, borrowers, consumers and other members of the community.

INSURANCE DIVISION (ID)

website: www.cca.hawaii.gov/ins

e-mail address: insurance@dcca.hawaii.gov

OVERVIEW

The 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.

Type of License	Licenses as of June 30, 2013	Licenses as of June 30, 2012
Adjuster	1,642	1,460
Captives	176	175
Certificate of Authority (Insurer)	1,002	1,003
Foreign Risk Retention Groups (Registered)	60	55
Fraternal Benefit Society	7	7
HMO (Health Maintenance Organizations)	3	3
Independent Bill Reviewer	26	28
Life Settlement Broker	15	0
Life Settlement Provider	16	0
Limited Lines Motor Vehicle Rental Company Producer	26	25
Limited Lines Portable	14	0
Limited Lines Producers	1,000	952
Managing General Agent	37	28
Mutual Benefit Society	6	6
Nonresident Producers	36,112	34,279
Producers	7,010	7,064
Purchasing Group (Registered)	244	217
Reinsurance Intermediary Broker	25	21
Service Contract Provider Registration	135	121
Surplus Lines Broker	1,473	1,366
Vehicle Protection Product Warrantor Registration	24	17
TOTAL:	49,056	46,827

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.

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 Commissioner and Captive Insurance Administrator and includes a secretary and eight 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, SLH 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 three investigators.

Financial Surveillance and Examination Branch. The Financial Surveillance and Examination Branch (FS&E) is comprised of a manager, ten examiners and an office assistant.

The FS&E conducts a continuous program of financial analyses and examinations of Hawaii-domiciled insurance companies, agencies, and mutual benefit societies, to determine financial condition, solvency, and compliance with applicable laws and administrative rules in an effort to safeguard consumer interests and maintain integrity in the industry. The FS&E functions also include licensing more than 1,000 domestic, foreign, and alien insurers; processing and collecting of more than \$130 million of Premium and Surplus Lines taxes from General Fund and Workers' Compensation levies on behalf of the Department of Labor & Industrial Relations; processing and administration of Qualified High Technology Business Investment Tax Credits claimed against the Insurance Premium taxes; authorizing and monitoring of accredited and trustee reinsurers; registering of purchasing groups and foreign risk retention groups; regulating self-insurance; administering of security deposits; and monitoring of market share and competitive standards of mergers and acquisitions.

The Insurance Division is subject to review by the National Association of Insurance Commissioners' (NAIC) Financial Regulation Standards and Accreditation Program which requires state insurance departments to regulate domestic insurers' corporate and financial affairs. The FS&E recommends the adoption of legislation and administrative rules to ensure that the Insurance Division has adequate statutory and administrative authority and the necessary resources to carry out that authority.

Health Insurance Branch. The Health Insurance Branch (HIB) is responsible for regulating health insurers, including health maintenance organizations and mutual benefit societies. The HIB'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 Hawaii Revised Statutes (HRS) Chapter 432E and to administer the external review process; to review premium rate filings and forms to ensure readability and the disclosure of required information; and to conduct financial surveillance of health insurers. The HIB also reviews advertising materials of long term care insurers. The HIB is headed by the Program Administrator and has nine other authorized positions.

Insurance Fraud Investigations Branch. The Insurance Fraud Investigations Branch (IFIB) conducts a statewide program for the prevention, investigation, and prosecution of insurance fraud cases and complaints relating to insurance fraud. Effective July 1, 2009, the jurisdiction of the IFIB expanded to all lines of insurance, except workers' compensation, pursuant to Act 149, Session Laws of Hawaii, 2009. 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, five investigators, two forensic investigators, and a legal clerk. The administrator and staff attorney are both trained in criminal prosecution and as a result, all cases receive prompt attention and representation in the criminal justice system.

Legal Branch. The Legal Branch advises the Commissioner, the Chief Deputy, the Branch Chiefs, and the ID on all legal matters and serves as 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; researching insurance issues, providing interpretations of laws and rules, and reviewing and analyzing administrative decisions and rulings; preparing legislative bills, legislative testimonies, administrative rules, and requests for formal and informal legal opinions; assisting the branches in enforcing compliance provisions within Title 24, HRS; and providing assistance to the Financial Surveillance and Examination, Health Insurance, and Captive Insurance branches in regards to supervision, rehabilitation, and liquidation proceedings. The Legal Branch is comprised of a supervising attorney, three staff attorneys, and a legal assistant.

Licensing Branch. The Licensing Branch (LB) oversees the examination process, continuing education and issues licenses to qualified applicants for various insurance licensees. The major license types are producer, nonresident producer, and adjuster licenses; the LB maintains records of these licensees. The LB is also responsible for continuing education deficiency notices, license renewal notifications, processing of remittance checks, processing amendments, preparing and updating fee schedule, assisting callers and walk-ins, and confirmation and 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, six licensing clerks, and an office assistant.

Office Services Branch. The Office Services Branch (OS) provides general reception; answers and screens telephone calls; and provides clerical, stenographic, typing, duplicating and other administrative services for the ID. OS also maintains the ID'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-typist, and five office assistants.

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 RPA analyzes and approves or disapproves rate filings for casualty, property, motor vehicle, inland marine, surety, credit life and disability, and Medicare supplement insurance. The RPA 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 nine rate and policy analysts.

ACCOMPLISHMENTS

Compliance and Enforcement Branch. The Insurance Division's Compliance and Enforcement Branch assists consumers and carriers with a variety of complaints. Consumers and carriers saved or recovered \$807,549.73 through the complaint process, through investigations conducted by the branch, and through formal actions recommended by the Compliance and Enforcement Branch in 2012. Four hundred and eighteen (418) complaints were received for the following classes of insurance:

MOTOR VEHICLE INSURANCE: Received the largest number of complaints with 248 or 59% of the total. Of this amount complaints involving no-fault coverage for medical and other related benefits accounted for one hundred and eighty-six (186) cases. Forty-seven (47) cases involved claims handling in the following categories: twelve (12) for material damage claims, five (5) for claim payment or settlement/resolution delays, seven (7) concerning coverage and liability disputes, and twenty-four (24) for claim denials and other miscellaneous claim issues. Complaints other than claims total fifteen (15) in the following categories: seven (7) in the area of premiums and underwriting, two (2) for policy cancellations or non-renewals, and six (6) miscellaneous ones. Two hundred and forty-four (244) cases were resolved or referred to the appropriate agency for resolution. Four (4) cases remain pending.

LIFE/ANNUITY INSURANCE: There were 51 complaints received or 12% of the total. Of this amount, eighteen (18) involved misrepresentations and marketing issues, nineteen (19) involved policy servicing, eight (8) involved claims handling, three (3) involved underwriting issues, two (2) involved the inappropriate replacement of existing policies and one (1) involved a miscellaneous issue. Thirty seven (37) cases were resolved or referred to the appropriate agency for resolution. Fourteen (14) cases remain pending.

WORKERS' COMPENSATION: There were 17 complaints received or 4% of the total. Sixteen (16) involved claims handling and payment delays and one (1) involved a procedure code dispute. One (1) case remains pending.

FIRE/HOMEOWNERS INSURANCE: There were 36 complaints received or 9% of the total. Of this amount, twenty-seven (27) involved claims, seven (7) involved underwriting, rating, cancellations, or nonrenewal of coverage, one (1) involved a policyholder service issue, and one (1) involved a miscellaneous issue. All cases were resolved or referred to the appropriate agency for resolution.

GENERAL LIABILITY: There were 11 complaints received or 3% of the total. Of this amount, six (6) involved claims, three (3) involved underwriting issues and two (2) involved miscellaneous issues.

Nine (9) cases were resolved or referred to the appropriate agency for resolution. Two (2) cases remain pending.

MISCELLANEOUS: In addition to the above categories, there were 55 complaints received or 13% of the total, relating to other classes of insurance (disability, marine, surety, and miscellaneous). Forty (40) cases were resolved or referred to the appropriate agency for resolution. Fifteen (15) cases remain pending.

ASSIGNED CLAIMS PROGRAM: There were 69 applications for benefits under the assigned claims program that were received and reviewed. Of this amount, fifty-three (53) applications were assigned to servicing carriers for further handling; nine (9) applicants did not meet eligibility requirements and seven (7) applications remain under review.

REVIEW OF LICENSEE'S CRIMINAL AND REGULATORY HISTORY: 1,395 applications and renewal applications for Producer Licenses were reviewed by the Compliance and Enforcement Branch to screen for felony convictions or administrative action histories.

DISCIPLINARY ACTIONS: There were 11 formal actions involving the Compliance and Enforcement Branch. Of this amount, five (5) were letters of caution/reprimands, two (2) were certificate of authority revocations, one (1) was a stipulated agreement, two (2) were license revocations and one (1) was a license denial. A total of \$17,250.00 was levied in fines and \$67,619.78 in restitution ordered.

Financial Surveillance and Examination Branch. Accredited insurance departments undergo a comprehensive review every five years by an independent review team, as well as interim annual reviews, to ensure they continue to meet NAIC standards. The Hawaii Insurance Division was first accredited by the NAIC in 1996 and re-accredited by the NAIC's Financial Regulation Standards and Accreditation Committee for the full five year accreditation term in every review since, most recently in 2011. In August 2013 the Insurance Division successfully completed the NAIC's interim annual review.

The following is a summary of activities administered by the FS&E during the last two calendar years (dollar amounts are rounded to the nearest thousand):

	<u>2012</u>	<u>2011</u>
Number of Active Licensees	1,075	1,075
Direct Premiums Written in Hawaii*	\$9,496,076,000	\$8,915,781,000
Surplus Lines Premiums Written in Hawaii	\$ 184,566,000	\$ 204,416,000
Foreign Risk Retention Group Premiums Written in Hawaii	\$ 6,394,000	\$ 6,139,000
Premium Tax Returns Processed	9,000+	9,000+
Premium Taxes & Levies Collected**	\$ 135,544,000	\$ 134,642,000
Total Hawaii Investments***	\$6,891,218,000	\$5,580,463,000

* Includes annuities, mutual benefit societies ("MBS") and health maintenance organizations ("HMO") which are not subject to premium taxes. Annuities, MBS and HMO premiums for 2012 and 2011 were \$5,425,050,000 and \$5,003,980,000, respectively.

** Net of premium tax credits.

*** Includes bank balances as reported by insurers, unaudited.

Health Insurance Branch. From July 1, 2012 to June 30, 2013, 84 complaints and written inquiries were received. Of the 84 complaints and inquiries, 40 were resolved, 13 are still pending, two (2) were withdrawn and 29 did not fall under the Health Insurance Branch jurisdiction and were provided with information and referred to the appropriate agency for resolution. Of the total formal complaints and inquiries, 16 involved denial of coverage; 11 involved rate increases; 10 involved claims appeals; six (6) involved policy coverage; five (5) involved obtaining health insurance; four (4) involved drug formularies; three (3) involved reimbursement timeliness; two (2) involved termination of coverage; one (1) involved participating vs. non-participating provider reimbursements; and the remaining 26 involved miscellaneous issues. The complaints during this period resulted in consumers saving over \$201,840.00.

In addition to addressing formal written complaints and inquiries, the Health Insurance Branch assists consumers, healthcare providers, and health insurance professionals with informal inquiries by providing callers with information on health insurance matters. During the July 1, 2012 to June 30, 2013 period, the Health Insurance Branch handled over 1,300 informal inquiries.

The Health Insurance Branch also reviews premium rate filings of managed care plans pursuant to Hawaii Revised Statutes (HRS) chapter 431, Article 14G. The Health Insurance Branch received 46 rate filings during the period July 1, 2012 through June 30, 2013. This resulted in consumer savings of over \$12,638,130.00.

Pursuant to HRS Chapter 431 Article 10 Part I, the Health Insurance Branch also reviews health insurance contracts and forms to ensure readability and the disclosure of required information. The Health Insurance Branch received 41 policy form filings for the period July 1, 2012 through June 30, 2013.

In addition, the Health Insurance Branch reviews long-term care advertising filings issued by long-term care insurers licensed in the state. The filings are reviewed for compliance with HRS chapter 431 Article 10H (Long-Term Care Insurance). The Health Insurance Branch received and reviewed 101 long term care advertising filings during the period July 1, 2012 through June 30, 2013.

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, 2012 to June 30, 2013, 15 requests for an external review were received. The external reviews during this period resulted in consumers saving over \$34,500.

The Health Insurance Branch has been assisting the Hawaii Health Connector (“Connector”) to set up Hawaii’s health insurance exchange under the federal Patient Protection and Affordable Care Act (“PPACA”). The Health Insurance Branch has also worked together with the Connector to create the blueprint for the Connector that was filed with HHS as a key milestone in the creation of the Connector. The branch is continuing to work with the Connector and HHS in the further implementation of the PPACA.

The Health Insurance Branch is also the federal grantee under a grant from the HHS for improving its health insurance premium rate review program and the implementation of those improvements is underway. The branch has also worked with the Office of the Governor to create a strategic planning document that addresses the decisions and issues that must be faced by the State of Hawaii under the PPACA. Branch representatives and the Insurance Commissioner are also participating on a task force for the implementation of PPACA led by the Office of the Governor. The Health Insurance Branch has also

worked closely with the Hawaii Department of Labor and Industrial Relations to ensure that implementation of the PPACA can be done in a way that preserves the Prepaid Health Care Act.

Insurance Fraud Investigations Branch. During the fiscal year 2012-2013, the Fraud Branch received 317 referrals from insurance companies, various agencies, and the public. Of the referrals accepted for prosecution, criminal indictments were obtained against 23 individuals with a fraud amount totaling \$168,000 for the fiscal year. The Fraud Branch obtained restitution orders totaling \$3,160 for the cases that reached final disposition. In addition, the Fraud Branch obtained fines payable to the State of Hawaii totaling \$11,000, payments in the amount of \$2,030 to the Crime Victim Compensation Fund, payments in the amount of \$6,650 to the State General Fund, and probation services fees in the amount of \$1,350.

The Fraud Branch endeavored to meet its statutory mandate to prevent insurance fraud by making available copies of its informational brochure on the topic of insurance fraud to the public. Fraud Branch investigators attended and participated in training offered by the National Association of Insurance Commissioners, Hawaii State Chapter of the International Association of Arson Investigators, National Health Care Anti-Fraud Association, and Western States Auto Theft Investigators.

Rate and Policy Analysis Branch. During fiscal year 2012-2013, 4,288 filings were reviewed; in the preceding year (fiscal year 2011-2012), 4,397 filings were reviewed.

Hawaii participates in the National Association of Insurance Commissioners' (NAIC) filing process known as SERFF or the System for Electronic Rate and Form Filing. Hawaii began accepting life insurance products via SERFF in 2001; limited property and casualty lines in 2007 and all lines in 2008. A total of 4,153 electronic filings were processed through SERFF during the fiscal year; in the preceding fiscal year, 4,377 electronic filings were processed through SERFF.

Act 104, Session Laws of Hawaii (SLH) 2004, established Article 30, Hawaii Revised Statutes (HRS) chapter 431, 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. A total of 43 jurisdictions are currently members of IIPRC. The IIPRC has since adopted bylaws, operating procedures, and 91 product standards on life, annuity, and disability income products and has reviewed 406 filings this fiscal year.

Long-Term Care Insurance: Pursuant to Act 233, SLH 2007, insurers transacting long-term care insurance business on or after January 1, 2008 were required to comply with new and amended disclosure standards and actuarial ratemaking standards. There are 40 insurers with rates and forms on file in Hawaii; however, some insurers may not be issuing new policies.

Medicare Supplement Insurance: Pursuant to the Medicare Prescription Drug, Improvement and Modernization Act (MMA) of 2003, enacted December 8, 2003, Medicare supplement plans no longer offer prescription drug coverage. As of January 2006, Medicare eligibles were able to enroll in federal Medicare Part D. Pursuant to the Medicare Improvement for Patients and Providers Act (MIPPA) of 2008, revised standardized benefit plans will be in effect June 1, 2010. Hawaii Medicare supplement insurance laws were amended in conformance with MIPPA. Thus, companies were required to cease new issues of

existing plans effective June 1, 2010, and new plans complying with the revised federal standards were required to be filed. There are 11 licensed issuers of Medicare supplement insurance in Hawaii with one or more standardized plans under the new guidelines.

The significant filings approved or impacting the rates or the policies issued during the fiscal year were as follows:

Long-Term Care: During the fiscal year the review of long-term care rate filings saved consumers over \$7.3 million.

Property and Casualty: During the fiscal year the review of property and casualty rate filings saved consumers over \$1.8 million.

Commercial Fire and Allied Lines: On June 10, 2013, Hawaii Insurance Bureau's (HIB's) commercial fire and allied lines loss cost revision representing an overall impact of -8.1% was approved.

Commercial General Liability: On May 20, 2013, HIB's commercial general liability loss cost revision representing an overall impact of -9.9% was approved.

Workers' Compensation: On October 19, 2012, revisions to the National Council on Compensation Insurance, Inc.'s workers' compensation loss costs, to reflect experience and statutory benefits as of January 1, 2013, were approved with an overall increase of 5.2%.

LEGISLATIVE HIGHLIGHTS

The Twenty-Seventh Hawaii State Legislature, Regular Session of 2013, passed numerous insurance-related bills and adopted various concurrent resolutions. These bills were enacted into law with the following Act numbers. The effective date of each Act is shown in brackets.

Act 56 (S.B. No. 1079, H.D. 1 – Relating to Health Insurance) Prepares for implementation of the Patient Protection and Affordable Care Act of 2010 by applying the producer licensing requirements of Hawaii Revised Statutes (HRS) chapter 431:9A to insurance producers selling health insurance products offered by mutual benefit societies and health maintenance organizations. [Effective 7/ 1/2013]

Act 191 (S.B. No. 1073, S.D. 2, H.D. 2, C.D. 1 – Relating to Dental Service Corporations) Establishes certification and financial solvency requirements for dental insurers, including compliance with the requirements of HRS chapter 423 relating to dental service corporations. [Effective 7/1/2013]

Act 192 (H.B. No. 848, H.D. 2, S.D. 1, C.D. 1 – Relating to Health Insurance) Creates a uniform network adequacy standard to be applied to all health insurers doing business in the State; for consistency with federal health insurance laws, defines "small employer" in the Hawaii Insurance Code to consist of employers with 50 employees or less. [Effective 7/1/2013]

Act 226 (H.B. No. 65, H.D. 2, S.D. 2, C.D. 1 – Relating to Prescription Drugs) Specifies that an otherwise qualified retail community pharmacy that requests to enter into a contractual retail pharmacy network agreement shall be considered part of a pharmacy benefit manager's retail pharmacy network for purposes of a beneficiary's right to choose where to purchase covered prescription drugs; requires specified

entities to permit beneficiaries to fill any covered prescription that may be obtained by mail order at any pharmacy of the beneficiary's choice within the pharmacy benefit manager's retail pharmacy network; requires specified entities to file an annual report with the Insurance Commissioner disclosing certain amounts, terms, and conditions associated with a prescription drug benefit plan; requires affected entities to report to the Legislature prior to the regular sessions of 2014 and 2015; prohibits application to community retail pharmacies with a rural pharmacy designation. [Effective 6/27/2013]

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, implementing, and enforcing appropriate service standards and fairly administering the Insurance Code and other applicable laws.

Short and Long Term Goals of the Division: (1) Meet its statutorily mandated requirements for compliance with the Federal Patient Protection and Affordable Care Act ("ACA") of 2010; (2) Work with other stakeholders to construct and establish an All Payer Claims Database ("APCD"); (3) Develop a marketing strategy that will maintain Hawai'i's world ranking as a leading captive insurance domicile; (4) Work with the Board of Pharmacy to establish standards as to what is a "qualified retail community pharmacy"; (5) Work with other stakeholders in examining opportunities in the ACA for covered services for obesity prevention; (6) Continue to meet its statutorily mandated requirements; and (7) Continue to increase the efficiency of the ID's operations.

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

1. President Obama signed the PPACA into law in 2010. The Division was the recipient of several grants from the federal Department of Health and Human Services ("DHHS") beginning in 2010 in relation to the start-up of a health insurance exchange in Hawai'i and participated in the formation of the Hawai'i Health Connector. The Division is devoting resources and is assisting the Connector to ensure that the Connector meets specific timetables as well as ensuring that the State is in compliance with the ACA.

2. The Division was a recipient of a \$3 million grant from DHHS to examine healthcare cost drivers and their relationship to healthcare systems' operations and performance. The Division, in coordination with other stakeholders' work in addressing this issue, will focus on increasing the availability of data on costs and utilization and factors impacting cost shifting. This information will provide significant value in understanding macro trends that might not otherwise be readily apparent through normal data gathering methods.

3. Hawai'i has long been an attractive domicile for the captive insurance industry because of its rigorous standards and geographical location. Recently, other regions have aggressively entered into this area and have had great success in having captive insurers establish companies in their own locations. Hawai'i must review its existing marketing strategy and amend existing components to reflect the changes ongoing in the industry to maintain its standing as a captive insurer domicile world leader.

4. Act 226 (2013) addresses the need of the State to protect the pharmaceutical rights of Hawaii's residents and ensure patient choice. In reviewing the mandates of this Act with the Board of Pharmacy it was found that there were no standards as to what qualifies as a "qualified retail community pharmacy." The Division will work with the Board of Pharmacy to develop these standards.

5. 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, the ID will review and submit to the Legislature, when necessary, proposed legislation for the adoption of NAIC model laws required for accreditation.

6. The ID will strive to meet the mandated statutory requirements for the Insurance Code through proper personnel and case load management.

7. To increase efficiency of operations, the ID is continuously improving its computerization and the use of the Internet. This includes the review of current operating systems and the exploration of adopting and using national regulatory systems to increase efficiency. The ID developed a database named the Hawai'i 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. Examination application allows for the electronic submission 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 and insurance licensees.

Financial Summary

The CRF financial summary relating to INS for FY13 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$4,910,683	\$1,461,112	\$6,371,795	\$8,055,527

CONCLUSION

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

OFFICE OF ADMINISTRATIVE HEARINGS (OAH)

website: www.cca.hawaii.gov/oah

e-mail address: oah@dcca.hawaii.gov

OVERVIEW

The Office of Administrative Hearings (OAH) is a support office under the Director's Office and 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 administrative hearings for (1) 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; (2) due process hearings involving the Individuals with Disabilities Education Act (IDEA) under a Memorandum of Agreement with the Department of Education; (3) certain kinds of motor vehicle dealer, distributor and manufacturer disputes under HRS Chapter 437 Part 2; (4) appeals of benefit determinations from the Employer-Union Health Benefits Trust Fund under a Memorandum of Understanding; and (5) appeals of benefits determinations from the Employees' Retirement System of the State of Hawaii under a Memorandum of Understanding. Lastly, OAH also provides administrative support to the Medical Inquiry and Conciliation Panel (MICP) and the Design Claims Conciliation Panel. The MICP program is responsible for conducting informal conciliation hearings on inquiries regarding health care providers before any claims against those providers can be filed as lawsuits. Similarly, the DCCP program is responsible for conducting informal conciliation hearings on claims against design professionals (engineers, architects, surveyors, and landscape architects) before such claims can be filed as lawsuits. The MICP does not make any decisions on the merits of the parties' positions. The decision of the DCCP 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 regarding MICP and DCCP activities.

COMPOSITION

The OAH staff responsible for CRF related activities are: Senior Hearings Officer, division secretary, four additional hearings officers, two legal clerks, and an MICP/DCCP clerk. 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.ccca.hawaii.gov/oah/; and e-mail address: oah@dcca.hawaii.gov.

ACCOMPLISHMENTS

The following table summarizes the CRF-related activities conducted by OAH for the 2012-2013 fiscal years:

Type of Proceeding Conducted	Number
Pre-hearing conferences	117
Status conferences	136
Motions	15
Hearings	153

The following table summarizes the number of cases and the relative percentage of CRF-related activities conducted by OAH for the 2012-2013 fiscal years.

DCCA Divisions Referring Matters to OAH	Cases Filed	%
Insurance Division (denial of personal injury protection benefits)	264	67%
Regulated Industries Complaints Office (petitions for discipline and appeals from citations for unlicensed activities)	56	14%
Business Registration Division (trade name revocation proceedings, corporate name abatement proceedings, violations of securities laws)	15	4%
Professional and Vocational Licensing (license denials)	20	5%
Employees' Retirement System	14	4%
Procurement Protests	15	4%
Other CRF-related hearings	7	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.

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, 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 August of each year; and
3. Specific procedures for the disposition of cases in which no action has been taken by the parties.

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. All procurement protest decisions are currently available online shortly after the parties themselves are notified of the decisions. All special education decisions are made available online by the Department of Education. All decisions in other areas since January 2009 have been posted online. The purchase of new software has allowed OAH to redact decisions of personal information protected by privacy laws and also make the online decisions ADA compliant. OAH now publishes all such decisions shortly after they are issued.

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 are 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.cca.hawaii.gov/ocp

E-mail address: ocp@dcca.hawaii.gov

OVERVIEW

The Office of Consumer Protection (“OCP”) acts on behalf of the Director of the Department of Commerce and Consumer Affairs, who is consumer counsel for the State of Hawaii under Chapter 487 of the Hawaii Revised Statutes (“HRS”). OCP reviews, investigates and undertakes enforcement actions against unfair or deceptive trade practices in consumer transactions. In addition to its enforcement powers, OCP provides consumer education and promotes awareness of important consumer protection issues through its programs, media releases, and educational materials.

OCP’s enforcement jurisdiction encompasses a wide range of businesses and commercial activities, including, but not limited to: advertising violations, door-to-door sales, solar energy devices, gift certificates, offers of gifts and prizes, going out of business sales, refunds and exchanges, collection practices, credit sales, health clubs, towing, fine prints and motor vehicle rentals. More recently OCP has investigated and initiated enforcement actions in numerous consumer fraud cases stemming from mortgage foreclosure rescue scams under HRS Chap. 480E. See Table 1, Laws Enforced by OCP.

In addition to its enforcement duties, OCP furnishes information about the Hawaii Residential Landlord Tenant Code to the general public through the Landlord-Tenant Hotline pursuant to HRS § 521-77.

OCP has employed a number of different strategies to ensure that its mission is achieved in a meaningful and cost-effective manner. First, the staff prioritizes 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, so as to enable 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. OCP will continue to concentrate on these efforts for the foreseeable future including during the next five years.

OCP’s main office is located at the Leiopapa A Kamehameha Building (State Office Tower), 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 the Bank of Hawaii Building, 120 Pauahi Street, Suite 212. OCP’s website address is www.cca.hawaii.gov/ocp. Its functions are divided into four basic sections: intake, investigation, landlord-tenant, and legal.

COMPOSITION

OCP is organized under the following four sections:

The Consumer Resource Center Intake Section - phone: (808) 587-4272

The Consumer Resource Center (“CRC”) performs intake of complaints for OCP. CRC is staffed by investigators at the Regulated Industries Complaints Office 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 section 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 2012-13 statistics.

The Landlord-Tenant Section - phone: (808) 586-2634; Consumer Dial: (808) 587-1234; website www.cca.hawaii.gov/ocp

OCP operates the Landlord-Tenant Hotline (“Hotline”). The Hotline is staffed by OCP investigators who answer questions about landlord-tenant issues Monday through Friday each week. The Hotline 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 publishes the Hawaii Residential 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 undertake civil enforcement actions against consumer law violators. The staff 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 provides consumer information through its website and its Consumer Dial Information Service, in which interested parties can call 24 hours a day and receive information on a variety of topics. OCP staff participates in numerous educational forums in which thousands of consumers and business persons have received extensive information about consumer protection in Hawaii.

Neighbor Island Assistance Requests

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

OCP's neighbor island staff has been trained in the technical operation of the State's Video Conference Center equipment and provides 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 expects 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:

- Maintaining fiscal responsibility on behalf of DCCA/OCP operations;
- Supporting innovative legislation designed to protect the consumers in the State of Hawaii;
- Proactively initiating cases against problematic business practices before there is widespread consumer harm;
- Disseminating consumer education to the largest possible populace;
- Facilitate the exchange of information with a wide array of civil and criminal law enforcement agencies;
- Provide in-house training to OCP investigators and attorneys.

ACCOMPLISHMENTS

Consumer Education

During the past several years, OCP has educated tens of 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.

Most recently, OCP has focused on the growing problems of identity theft and mortgage fraud by providing important information to thousands of Hawaii residents on how to avoid being victimized.

LEGISLATION

OCP testified and provided input on numerous measures related to consumer protection during the Twenty-Seventh Hawaii State Legislature of 2013, including those relating to association foreclosures, the scanning of the machine readable portions of state identification cards and driver's licenses by merchants and other establishments, payday lending, debt adjusting, wheel booting, mortgage rescue fraud and requiring prejudicial foreclosure alternate dispute resolution under the auspices of the Mortgage Foreclosure Dispute Resolution Program. The following measures were enacted into law. The effective date of each Act is shown in brackets.

Act 181 (SB960, SD1, HD1, CD1 – Relating to Foreclosures). Establishes a notice of postponement or cancellation of sale under Part IA, chapter 667, Hawaii Revised Statutes (“HRS”), relating to judicial foreclosures, to align it with the notice of postponement or cancellation of sale required for nonjudicial foreclosure sales under Part II, chapter 667, HRS. [Effective 6/25/13]

Act 195 (HB1287, HD1, SD1, CD1 – Relating to Personal Information). Makes technical and other changes to HRS chapter 487J, Personal Information Protection, which prohibits the scanning of personal information contained in a Hawaii identification card or driver’s license except for certain limited purposes. [Effective 6/25/13]

Act 196 (HB21, HD2, SD2, CD1 - Relating to Condominiums). Under prior law a disproportionate share of existing costs arising from a default fell upon associations, non-defaulting unit owners and mortgagors. The longer the lender’s foreclosure dragged on, the greater the cost to associations, non-defaulting unit owners and mortgagors. The Act clarifies that an association may specially assess the amount of the unpaid regular monthly common assessments against a mortgagee; spelled out that any excess rental income collected by an association after an association nonjudicial foreclosure shall be paid to existing lienholders based on the priority of lien, and not on a pro rata basis, and applied to the benefit of the unit owner. [Effective 6/25/13]

Act 197 (HB25, HD2, SD2, CD1 - Relating to Suspension of Foreclosure Actions by Junior Lienholders). This bill addresses the delays and attendant costs suffered by an association under a statutory stay of foreclosure against an association after the lender has initiated its foreclosure action against a unit owner. The Act allows an association or planned-community association, as a junior lienholder, to commence or continue a nonjudicial foreclosure action on a unit subject to a judicial foreclosure even if the lender has filed for foreclosure. The Act closes a potential loophole by preserving the rights of owner-occupants to require foreclosing mortgagees to participate in the Mortgage Foreclosure Dispute Resolution Program in situations where the association forecloses on residential real property occupied by one or more owner-occupant mortgagors for whom the unit is and has been the person’s primary residence for a continuous period of not less than 200 days immediately preceding the date on which the notice is served and the mortgagee subsequently forecloses its lien on the same property. [Effective 7/1/13]

Act 225 (HB62, HD1, SD2, CD1 - Relating to Pharmacy Benefits Managers). The Act addresses the existing practice of pharmacy benefits managers to use a patient’s prescription drug claims information to directly market to that patient the services of a preferred pharmacy provider that is partially or wholly-owned by the pharmacy benefits manager. The legislature found that sharing or selling such private patient medical information without the patient’s express consent is a breach of the patient’s right to privacy under Article I, Sec. 6, of the Hawaii State Constitution. Act 225 now prohibits a pharmacy benefits manager or their partially or wholly-owned subsidiaries from using a patient’s medical health information to market or advertise to that patient the services of a preferred pharmacy network that is owned by the pharmacy benefits manager, without the express consent of the patient. [Effective 6/27/13]

Act 206 (SB328, SD1, HD2, CD1 – Relating to Animals). Landlords are allowed to collect a second security deposit (“pet security deposit”), in addition to the standard security deposit, not to exceed one month’s rent. The pet security deposit, or at the discretion of the landlord the first security deposit in the event the landlord chooses not to collect a pet security deposit, can be used to compensate the landlord for any damages caused by a pet animal allowed to reside on the premises pursuant to the rental agreement.

A pet security deposit may not be collected from any tenant who does not have a pet animal that resides on the premises, or any tenant with an assistance animal that is reasonable accommodation pursuant to HRS § 515-3. [Effective 6/26/13, provided Sec. 1 of the Act shall apply to all rental agreements entered into on or after 11/1/13]

Act 285 (SB1214, SD1, HD2, CD1 – Relating to Transportation). Makes the practice of wheel booting on any public or private street, roadway or highway, as applicable, or on any public or private property, as applicable, by any person or entity, including any county police department, a violation of the State Traffic Code, and imposes a fine of \$100 for each application of a wheel boot. [Effective 7/9/13]

SCR 119, SD1, Senate Concurrent Resolution Requesting the Auditor to Conduct a Study of the Regulation of Unaccredited Degree Granting Institutions in the State. The resolution requests that the Auditor conduct a sunrise review of the regulation of unaccredited degree granting institutions, as proposed under HB1200, HD2 (2013), including an assessment of the current and alternative forms of regulation, pursuant to HRS section 26H-6. The Auditor is required to submit a report of its findings and recommendations, including any proposed legislation, to the Legislature not later than twenty days prior to the convening of the Regular Session 2014.

Cases

OCP handled a number of significant cases in FY 2013 involving nearly every area of consumer protection. These cases involved violations of Hawaii’s consumer protection laws governing mortgage fraud, gift certificates, door-to-door sales, refund and exchanges, and unfair or deceptive trade practices, including complex multistate enforcement actions based on unfair and deceptive marketing practices by national pharmaceutical companies. As a result of its efforts, OCP recovered \$4.5 million in fines and penalties and thousands of dollars in restitution for Hawaii consumers.

The CRF financial summary relating to OCP for FY 2012-13 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$1,285,769	\$365,311	\$1,651,080	\$5,278,539

CONCLUSION

OCP continues to receive numerous requests for assistance. Consumer complaints are diverse in nature and range from isolated cases to widespread practices affecting every Hawaii citizen. Through regular training and information exchange with law enforcement agencies and consumer protection agencies throughout the country, OCP’s staff attempts to keep abreast of the latest consumer problems and “rip-offs,” in order to prevent them from occurring and, if this is not possible then to limit their impact. Through its proactive efforts to prevent wide-scale consumer problems before they occur, and through its enforcement actions and consumer and business education, OCP strives to provide consumer protection for Hawaii consumers, 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 476	Credit Sales ¹²
HRS Chapter 477E	Fair Credit Extension
HRS §480-2	Unfair and Deceptive Acts or Practices ¹³
HRS Chapter 480D	Collection Practices ¹⁴
HRS Chapter 480E	Mortgage Rescue Fraud Prevention Act
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 ¹⁵
HRS Chapter 487A	Plain Language Law
HRS 487J	Personal Information Protection
HRS 487N	Notification of Security Breaches
HRS 487R	Destruction of Personal Information Records
HRS Chapter 506	Reverse Mortgage Loan
HRS Chapter 521	Landlord Tenant Code ¹⁶

¹² 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.

¹³ 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.

¹⁴ See also, Collection Agencies HRS §443B-20.

¹⁵ E.g. Motor vehicle advertising, HRS §437-4.

¹⁶ 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.

Table 2: OCP Information Requests

REQUEST AND INQUIRIES	FY 10-11	FY 11-12	FY 12-13
Requests for Prior Complaint History	4,367	6,318	8,596
Website inquiry General Information	120,785	80,633	78,805
Website inquiry Landlord/Tenant Information	157,850	91,139	23,735
Requests for Landlord/Tenant Information	7,561	7,211	10,533
Complaint Inquiries	16,102	16,558	17,709
Requests for Records Review	7	10	37
TOTAL	306,662	201,869	139,415

Table 3: Number of OCP Complaints Filed

COMPLAINANT	FY 10-11	FY 11-12	FY 12-13
Public	1,787	1,454	1,168
OCP	54	42	28
TOTAL	1,841	1,496	1,196

Table 4: Numerical Breakdown of Dispositions of All OCP

DISPOSITIONS	FY 10-11	FY 11-12	FY 12-13
Complaint Withdrawn	15	13	8
Legal Action & Referrals to Legal	103	174	73
Advisory Contact	27	30	16
Civil Dispute/Personal Matter	83	66	56
Monetary Threshold	0	0	2
Complainant Uncooperative	32	34	27
Consumer Complaint Resolved	69	40	30
Respondent Died or Bankrupt	63	91	30
Business vs. Business	25	37	23
No Jurisdiction	10	13	23
Refer to Investigation	76	81	63
Other	4	2	3
Warning Letter	39	35	18
Insufficient Evidence	391	365	252
Transferred to Other Gov't. Agency	959	858	618

DISPOSITIONS	FY 10-11	FY 11-12	FY 12-13
No Violation	26	9	15
Information Only/Inquiry	244	88	82
TOTAL	2,166	1,936	1,339

Table 5: OCP Complaints by Subject Matter
A complaint may cover multiple subject matters¹⁷

SUBJECT	FY 10-11	FY 11-12	FY 12-13
Accountants/Bookkeeping	1	1	0
Advance Fee Loans	4	5	13
Air Cargo Service	0	3	0
Air Travel Services (Airlines, Etc.)	14	9	9
Animals	9	11	5
Apparel/Accessories	4	8	6
Appliances	33	20	6
Art	1	3	3
Arts & Crafts	3	1	5
Attorneys/Legal Services	10	11	10
Auctioneers	1	0	1
Audio Records/Tapes/CD/Etc.	1	0	0
Auto Parts/Repair	14	23	18
Automobiles	3	13	18
Bakery	0	0	1
Bank/Savings & Loan/Industrial Loan Companies	118	3	7
Barber/Cosmetology Clinics		0	4
Bars/Cocktail Lounges	0	0	1
Bed & Breakfast	5	0	3
Beds & Mattresses	2	4	1
Boats & Airplanes	4	2	1
Body/Paint Shops	4	4	3

¹⁷ The following case codes were omitted from this list as there have been no complaints in the past three fiscal years:

Adoption Agencies, Banquet Halls, Bill of Lading, Buying Clubs, CB Radios, Chain Letter, Civil Procedures/Statutory Constructions, Correspondence Schools, Convalescent/Nursing Homes, Drive Inns, Emergency: Prize/Freeze/Gouging/Rent Termination, Encounter Group Therapy, Environmental Claims, Film Processing, Fire Extinguisher, Glass Tinting, Heat/Smoke Detectors, Home Study, Identity Theft – Security Freeze, Information to Obtain Credit/Credit Cards, Interior Decorators, In-transit Storage, MS - 1-900 Numbers, MS - Information Brochure, Occupational Therapists (457G), Oil/Gas Lottery, Other Counseling/Group Therapy, Pedi-Cabs, Pet Grooming, Protection Devices, Psychiatric Counseling/Group Therapy, Radio Broadcasting, Referral Sales, Rent to Own, Resume Preparation, Tax Planning/Devices, TV Broadcasting, and Vermin/Bug Extermination.

SUBJECT	FY 10-11	FY 11-12	FY 12-13
Books/Encyclopedia	2	5	0
Box/Package Delivery Service		2	5
Breeders	2	0	0
Buying Clubs - Record/Tape/CD/Video	0	1	1
Buying on Account	0	1	0
Cable	3	2	4
Cabs	1	2	1
Camera/Equipment	3	1	2
Camping Equipment	0	0	1
Car/Truck Lease	1	0	0
Car/Truck Rental	19	23	14
Carpet/Rugs	5	1	2
Caters/Deli	1	1	0
Checking Accounts	3	0	3
Cleaning Services	8	4	6
Clocks	2	1	0
Clothes	3	7	1
Coins/Currency	4	2	5
Collection of Debts	15	6	10
Computer Information Services	1	3	10
Computers/Software	20	24	15
Concerts/Events	1	2	2
Consumer Credit	96	5	2
Contests	1	3	2
Contract Sellers	1	0	1
Cookware	1	0	1
Cosmetics/Beauty Products	3	3	5
Credit Card	34	29	18
Credit Repair	3	4	3
Credit Reporting Agency	5	4	4
Dance Schools	1	0	1
Dating/Wedding Services	1	9	7
Day Care Centers	0	2	0
Debit Accounts	3	2	4

SUBJECT	FY 10-11	FY 11-12	FY 12-13
Degree Granting Schools	8	3	0
Delivery Service	25	12	4
Department Stores	2	5	4
Discount Coupons/Books	0	2	2
Discounted Tickets - Travel/Entertainment	2	6	9
Drapery	0	0	1
Dressmaker/Tailors	0	1	0
Education/Information	8	4	2
Elderly Issues	5	5	12
Electric	1	3	1
Employment	6	3	5
Energy Saving Devices	0	1	0
Energy/Fuels	1	0	0
Entertainment/Music	5	2	4
Escrow Services	2	1	1
Exercise Devices	0	1	0
Exercise/Health Clubs/Clinics	5	4	11
Extended Warranties	6	9	2
Fabric/Notions/Etc.	0	1	0
Financial Institutions	8	3	3
Fire/Burglar Alarms	5	5	19
Florists/Nurseries	1	0	5
Food Stores/Markets	2	10	9
Food/Drink	8	8	11
Foreclosure and Related Services		4	3
Furniture	9	8	8
Gambling	0	1	1
Gas Provider	4	1	3
Gas, Propane, Etc.	2	5	6
Get Rich Programs	1	1	3
Gift Certificate	28	20	13
Health Foods	1	1	1
Health Services/Products	18	21	17
Home Care Facilities	4	2	1

SUBJECT	FY 10-11	FY 11-12	FY 12-13
Hospitals/Clinics	4	3	10
Hotels & Motels	8	14	10
House Construction/Remodeling	3	6	6
House Hardware/Fixtures	4	5	7
House Materials/Goods/Services	7	8	6
Identity Theft	30	24	17
Identity Theft – Destruction of Personal Information/Records	0	0	1
Identity Theft – Security Breach Notification	18	13	15
Identity Theft – Social Security Theft	1	0	0
Insurance	10	22	14
Internet Fraud Complaint Center/ NW3C	667	639	352
Internet Transactions	426	436	195
Investment/Financial	7	7	8
Investment/Opportunity Scheme	0	4	5
Jewelry	11	20	14
Kennels/Boarding	1	1	0
Landlord-Tenant		18	15
Laundry/Dry Cleaning/Laundromats	1	1	1
Lawn Care Products/Yard Service	4	0	2
Loan/Mortgages and Related Services	251	36	27
Locks (Windows, Doors, Etc.)	3	0	1
Magazine	3	5	5
Medical	49	10	16
Medical Equipment	1	5	1
Medical Laboratories	0	1	1
Medical Professional	4	3	3
Medical Service Companies	6	2	2
MLM/Pyramids/Endless Chain Schemes	10	1	2
Modeling Agency	0	2	0
Modeling Schools	1	1	2
Moped Rentals	0	2	0
Mortgage and Related Services	0	22	24
Mortgage Foreclosure Dispute Resolution Act-Act 48 Non-Public		1	3

SUBJECT	FY 10-11	FY 11-12	FY 12-13
Morticians, Cemeteries & Other	1	2	2
Moving & Storage	10	7	3
Moving Companies/Storage	5	4	3
MS - Direct Mail	0	2	3
MS - Home Presentation (Door-to-Door)	5	3	4
MS - Info Commercial	0	1	0
MS - Information/"How To" Seminar	6	0	0
MS - Mail Order	3	0	1
MS - Newspaper Advertisement	8	1	1
MS - Other Regular Printed Media Ad (Magazine, Etc.)	4	6	7
MS - Product Show	1	2	0
MS - Radio	2	0	1
MS - Response Card/Letter	1	1	2
MS - Telemarketing	5	5	3
MS - Television/Cable	9	4	1
MS - Email and Related Methods		3	1
MS - Internet Advertisement		18	31
Multi-Product Retailer/Wholesalers	7	4	5
Multistate Projects	8	10	6
Musical Instruments/Lessons	1	2	2
Newspaper	3	3	0
Night Clubs/Discotheques	2	0	0
Ocean Travel Services (Cruises & Ships)	2	2	1
Other Transportation Rentals	1	0	1
Parking	8	5	15
Passports & Visas	0	0	1
Pawn Shops	0	1	0
Pay Day Loan	-	-	2
Pet Shops	3	2	1
Pharmacies	3	1	6
Photo Studios	0	0	2
Photographic Services	4	2	3
Photography	1	2	3

SUBJECT	FY 10-11	FY 11-12	FY 12-13
Precious Stone & Metals	3	0	2
Printers	1	0	1
Private Storage Company	0	2	0
Professional Services	2	9	15
Promissory Notes	2	0	0
Radio/Stereo/Tape Deck/CD Player	3	2	1
Real Estate	42	37	47
Rebate	2	1	0
Recreation/Toys/Game/Etc.	7	8	2
Recreational Rentals	0	3	3
Refrigerator/Freezer/Stove/Range	19	8	8
Refund Law- Refund/Exchange/Merchandise Credit	39	42	38
Regular Periodic Information Service	0	0	1
Regulated Services (Trade & VO Caption)	3	3	9
Religious	1	1	0
Restaurants	12	14	13
Rust proofing/Undercoating	0	0	1
Scam		83	117
Schools (Elementary, High)	0	1	1
Second Hand Dealers	1	0	0
Securities	3	1	1
Self-Improvement Seminars	0	0	1
Self-Storage		1	2
Service Agreements/Contracts	27	16	22
Sewing Machine	2	0	0
Shoes/Etc.	3	3	7
Solar Energy	0	4	6
Spamming	5	1	0
Special Project to be used by OCP only		2	0
Sporting Goods	3	5	4
Stocks & Bonds	2	2	0
Subscription Services	4	7	6
Surfboards	0	0	2
Sweepstakes/Lottery/Games of Chance	42	20	18

SUBJECT	FY 10-11	FY 11-12	FY 12-13
Tax (G.E.T.; T.A.T.; ETC)		3	2
Tax Services	4	3	12
Telecommunications/Electronic Devices	1	2	5
Telephone/Cellular/Pagers	42	30	33
Theaters	0	1	0
Ticket Sellers/Promoters	1	4	0
Tools	0	0	1
Tour Buses and Limos	0	2	2
Tour Services	7	2	2
Towing	24	35	36
Toys	3	2	0
Trade/Vocational Schools	5	3	2
Transportation	4	0	4
Travel Clubs	0	0	1
Travel/Vacations	24	24	24
TV/VCR/DVD	4	6	6
Unaccredited Degree Schools	4	5	4
Upholsters	0	0	1
Utilities	0	0	2
Vacuum Cleaner	7	4	9
Vehicle (Incl Mopeds) New & Used Sales	33	37	11
Veterinary Clinics		4	0
Video Games	0	3	3
Video Records/Tapes/CD/Etc.	9	1	2
Warranties	4	3	3
Washer/Dryer	4	3	3
Watches	1	4	6
Water	1	1	1
Water Heaters/Air Conditioners	1	4	1
Water Purifiers/Filters	2	4	1
Weight Reduction	0	2	0
Wigs/Hairpieces	0	1	0
Woodwork/Metal craft/Glass/Etc.	5	2	1

SUBJECT	FY 10-11	FY 11-12	FY 12-13
Work-at-Home Programs	0	4	2
TOTAL COUNT	2,664	2,306	1,791

Table 6: OCP Neighbor Island Assistance FY 12-13

DIVISION	HILO	MAUI	TOTAL
Division of Financial Institutions	5	44	49
Business Registration	11	20	31
Cable Television	1	0	1
Insurance Division	7	2	9
Division of Consumer Advocacy	0	0	0
Professional & Vocational Licensing	3	26	29
Regulated Industries Complaints Office	80	69	149
Non-Departmental Related	67	63	130
Other DCCA Divisions	0	4	4
TOTAL	174	228	402

PROFESSIONAL AND VOCATIONAL LICENSING DIVISION (PVL)

website: hawaii.gov/dcca/pvl

e-mail address: pvl@dcca.hawaii.gov

OVERVIEW

The Professional and Vocational Licensing Division (PVL) is responsible for implementing the licensing regulations for forty-eight (48) different professions and vocations. Twenty-five (25) licensing regulatory boards and commissions are administratively attached to DCCA/PVL, as well as twenty-three (23) licensing programs (board duties and functions vested in the DCCA Director). The division provides staff support to the licensing regulatory boards, commissions, and programs, handles applications and 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 forty-eight (48) professions and vocations. Additionally, PVL responds to phone inquiries on whether a person or entity is properly licensed. This is a service that can assist consumers in making a decision on whether or not to utilize the services of the person or entity.

PVL's division, Board and Program websites are very user friendly. PVL continues to explore ways to enhance public accessibility to licensing information, the licensing process, and its licensee roster. PVL's webpage, a site that provides general licensing information for all 48 licensing areas, features fillable 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://hawaii.gov/dcca/pvl>. The website also includes FAQs, a link to online services, a link to board meeting schedules and agendas, board meeting minutes, and a Geographical Report of current licensees by licensee type, by island, and by type of entity. The geographical report 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 number of licensees by their professions and their geographic locations.

PVL also maintains 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, current and former persons/businesses/tradenames, information on "conditional license" codes and descriptions, and any formal disciplinary action information against the licensee. The List Builder site also enables the public to access and order a licensee roster online. The roster may be sorted by license number, license name, and other identifying public information. Lists are available for download within twenty-four (24) hours of making the request. Updates to the online information to both sites occur within thirty (30) minutes of the update to the PVL licensing database. Feedback received on these sites indicates 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://hawaii.gov/dcca/pvl/e_services.

This is the thirteenth year that online renewals are being made available to licensees. This entirely paperless process enables licensees to complete, file, and pay for their license renewals electronically. A fair share of renewals are still mailed in by licensees and manually processed by PVL, but by far, the

majority of the renewals are done online. Online renewals are available at http://hawaii.gov/dcca/pvl/e_services.

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 re-engineer 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 1) assists with the review and processing of applications for licensure; 2) issues licenses; and 3) maintains records of licensing applications. The Applications Section staff, on behalf of the boards, commissions, and programs, conducts highly intensive reviews of all initial licensing applications, determines the status of such applications, and, in some instances, makes the final determination to either issue or defer issuing licenses. The Applications Section also performs customer service duties by answering the main public call-in line of the division which normally exceeds 5,000 calls per month. The Records Section is responsible for renewing, restoring, and reactivating 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 main PVL walk-in counter. Both sections of the Licensing Branch utilize the PVL computerized licensing database to provide immediate information pertaining to applicants and licensees. 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 licensing examinations on behalf of the boards, commissions, and programs, confirms the validity and reliability of exams, revises board constructed examinations to ensure their continued validity and reliability, and advises boards, when necessary, on the technical aspects of examinations. In addition, the Examination Branch transmits and verifies to various testing organizations the eligibility information of applicants seeking licensure in Hawaii who have been deemed approved to sit for the examination. The Examination Branch also sees that the approved applicants are provided the necessary pre-examination information, and generates and provides the applicants their post-examination score reports. Moreover, the Examination Branch reviews and processes requests by applicants for special examination accommodations with regard to the Americans with Disabilities Act. In addition, the Examination Branch maintains the examination records for applicants and licensees.

Administration Branch (Phone 586-2690) is comprised of a Staff Attorney, Executive Officers, Program Specialists, and Secretaries, and 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 activities, and guides and assists with regulatory compliance issues. The same activities are done for the twenty-three (23) 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) 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 (comprised of a Supervising Executive Officer, an Executive Officer, Real Estate Specialists, Condominium Specialists, Secretarial and Clerical staff) 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://hawaii.gov/hirec>.

In summary, all Branches within PVL work toward efficient and expedient processing of applications, licenses, and renewals to ensure the public has choices among 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 (Percentage) of Licenses Renewed Online; and Table 4: Total Number of Email Inquiries.

GOALS AND OBJECTIVES (Action Plan) for FY 2014

PVL will continue to be fiscally conscious and will continue to closely monitor its special fund so that it has sufficient funds to provide accurate, efficient, and timely services.

PVL will continue to look for ways to enhance and improve its online systems for renewals, License Searches, List Builder, and PVL's webpage to be more user friendly and informative.

PVL will continue to convert its downloadable application forms to online fillable application forms. This is a very tedious project and attention to detail is of utmost importance.

PVL will continue the design phase for a new online surety system that will allow insurance companies the ability to submit liability and worker's compensation insurance updates for contractor and pest control licensees. This has been a difficult project to move forward due to the complexity of designing a system that in the front end, will verify the surety is licensed to do business in this State and is authorized to write these lines of insurance. Integration with the DCCA Insurance Division license provider database appears to provide a solution. Also, dedication of resources to this project has been strained because of the need to attend to other online priorities. The staff of DAGS/ICSD, who are critical to the design and subsequent development phase, face similar strain on their resources and the likelihood of reduced staffing. We remain committed, however, to moving forward with this project.

PVL will be launching a new and improved Online Licensing Search that is intended to be more user friendly and compatible across mobile devices.

PVL's efforts to continually enhance and improve its other online services will include a new user friendly account login process for online renewals. The new login feature will also give PVL licensees access to a new "My License" dashboard online service. The My License dashboard service will allow licensees to access their PVL licensing and online renewal information via a single online user account 24/7, 365 days a year.

PVL will be upgrading its licensing database system (ALIAS) to an updated version by purchasing services and necessary software. ALIAS is relied upon to process license applications, renewals, and change transactions received via walk-in, mail, or over the web. It can also be used to do online PVL license searches for those who want information on licensees.

PVL will continue the scanning and imaging of licensee files so that new documents for a current licensee file are added as new licensee files are scanned, and will continue the reorganization of the hardcopy files.

The Licensing Branch will focus on improving public service through various changes in how staff processes the work and through increased use of technology. Both sections will continue to seek as many ways possible to incorporate further use of technology to process tasks more efficiently and to communicate with our customers. For example, phones will be provided to all staff members in the branch and all staff members will be on the phone rotation to handle inquiries. This should allow more calls to be serviced daily. In addition, staff will be using electronic means to maintain documents until they are ready to be processed. Having the documents stored electronically will significantly decrease the amount of time staff spends manually filing paper and will allow greater access to the documents by the rest of the staff. This ease of access will allow staff to answer inquiries independently instead of needing to rely on a specific co-worker. Lastly, the Licensing Branch hopes to implement other means of reducing paper transactions such as having online processing for high-volume transactions such as the Real Estate Change Forms and Contractor's Insurance Certificates.

The Examination Branch will focus on increasing the use of technology for the licensure process by transmitting examination documents electronically as much as possible. The branch will also provide assistance in updating and maintaining candidate examination-related information in ALIAS, a task which was primarily handled by the Licensing Branch. The branch will continue to work closely with the Executive Officers and the Licensing Branch in finding ways to promote self-reliance and independent processing by the exam applicants as well as by staff such as having more detailed, clear written information and instruction available for various processes.

The Real Estate Branch will continue to improve the offering and delivery of real estate pre-licensing and continuing education courses to stay in line with the increase in CE hours and the changing electronic environment. The Real Estate Branch will continue to enhance this electronic environment by contracting with vendors to create online document transfer and application systems. Rulemaking continues for Hawaii Administrative Rules (HAR) Chapter 99 for real estate brokers and salespersons, and Hawaii Revised Statutes 514B. For the condominium program, REB solicited and collected suggestions from stakeholders in the condominium community, and is finalizing proposed rule amendments for HRS

514B. REB started forming a panel for reviewing the proposed complex rule amendments. REB will further work to enhance online public access to condominium projects and AOOU registrations. The Program of Work for the Real Estate Commission and the REB also includes the development and implementation of a new registration program for condominium projects. For a comprehensive report on the FY 2014 goals and objectives of the Real Estate Branch and the Real Estate Commission, please refer to <http://cca.hawaii.gov/reb/reports/> to view their Annual Report for fiscal year ending June 30, 2013.

PVL will also pursue several rule amendment initiatives through the formal rule adoption process including amendments to HAR chapter 53, relating to Fees; amendments to HAR chapter 79, relating to dentists and dental hygienists; amendments to HAR chapter 85, relating to medical examiners; amendments to HAR chapter 89, relating to Nurses; amendments to HAR chapter 91, relating to dispensing opticians; and amendments to HAR chapter 99, relating to real estate brokers and salespersons. PVL will continue to work on proposed rules for Mixed Martial Arts Contests and Respiratory Therapists.

ACCOMPLISHMENTS AND PERFORMANCE MEASURES

Significant Online User Activities

In pursuing the division's objective of improving and expanding customer online services, PVL's online renewals continue to be successful with an average online renewal user rate of 86.39 % for FY 12 and FY 13.

PVL continued to absorb transaction fees that otherwise would have been passed on to licensees who used the online renewal system. With the online system, licensees were provided the ability to pay by Echeck and by credit card, all of which incurred service fees charged by PVL's online system provider. However, instead of passing on these service fees to our licensees, PVL continued to pay these costs using its online renewal revenue. For FY 13, PVL paid \$273,888 in service fees. The total to-date service fees paid by PVL since the inception of the online renewal system (FY 01) is \$2,733,017.

For PVL's License Search online system, there were 486,167 "page views" during FY 13. This service is a very popular, valuable, and useful tool for those who want information on licensees. The public can check to see if a licensee is currently licensed and find out if there are any formal disciplinary actions against the licensee, in addition to other pertinent information.

Significant Branch Activities

The Administration Branch coordinated and organized an Orientation for all 200 of PVL's Board/Commission/Committee members on October 24, 2012. Unfortunately, only 100 members were able to attend. The Orientation was held in the State Capitol Auditorium and topics covered were: role of board members; ethics in government; sunshine law/uniform information practices act; contested case hearings; personal liability/defense/administrative procedure; and handling complaints/disciplinary actions. The presentations were done by various individuals from within State Government. It was once again a successful event with participants telling us that it was a very informative session and they wish they could have attended such an event sooner. Some of PVL's Executive Officers attended and they too mentioned how they gained much from the presentations.

Security Guard registration was implemented on July 1, 2013. Act 208, SLH 2010, mandated that all security guards register with the Board of Private Detectives and Guards/DCCA, by July 1, 2013. For more than a year, working with the Board and the deputy Attorney General, the Executive Officer was able to successfully set up the foundation for the registration process. Despite these preparations, a large percentage of guards failed to register by the deadline. To assist late filers, because June 30, 2013 was the deadline to submit completed applications to the DCCA, the office remained open on June 29 and June 30 (a weekend), to accept applications. PVL received approximately 350+ applications that weekend. As of June 30, 2013, total registered were 3,128 + 207 ready to be licensed. The Executive Officer, secretary, and the Applications staff of the Licensing Branch have been working long hours including weekends to process applications. Board members and other Executive Officers have graciously given up of their time to assist with the review process of the approximately 10,000 applications.

The contract for furnishing nurse aide testing and registering services expired July 2012. Therefore, the Executive Officer prepared and submitted an Invitation for Bid for the nurse aide certification program. Prometric, Inc., was the lowest bidder and its contract was effective August 1, 2012 and ended July 31, 2013, with an opportunity to have the contract extended for another year, which was completed by the Executive Officer.

The Licensing Branch processed approximately 10,925 new licenses and was able to attain a 95% on-time processing rate. In addition, approximately 56,000 licensees received updated pocket ID cards either due to renewing, restoring, or reactivation of a license or requests for duplicate card. One of the goals of the Licensing Branch was to increase communication and information regarding our processes in an effort to decrease confusion, misunderstandings and misinformation in our dealings with the public as well as with co-workers. The branch assisted with changes to forms used by the public as well as additional instructional and processing guides to staff. The branch also provided the Executive Officers with greater access and knowledge to the use of ALIAS.

The Examination Branch was able to maintain processing of applicant eligibility for testing and post-examination results in a timely manner. Candidate eligibility information and confirmation was provided to test agencies within approximately three business days of Examination Branch staff receiving the request for the information. Examination results were processed approximately within five business days of Examination Branch's receipt of the results. The Examination Branch continued to work closely with the testing organizations, the applicants, and the affected PVL staff such as its Executive Officers and its Licensing Branch, to ensure the examination process remains efficient.

In line with PVL's objectives of improving and expanding the division's online services, the Real Estate Branch (REB) continued with its implementation of online services, including condominium association registration and a continuing education (CE) system which provided real estate licensees the ability to view the number of CE hours required and earned for the current licensing period, their CE history, and the ability to search for future CE courses being offered by approved CE providers. Real estate licensees may also access and print their own course completion certificates for the current and previous bienniums, whereas in the past this was done by the CE providers. Additionally, real estate principal brokers and brokers-in-charge may monitor and view the current CE hours, CE history, and license status of all licensees associated with the brokerage. The system is updated daily and is simple to use. Information may be found at <https://pvl.ehawaii.gov/rece/app/welcome.html>.

The REB/REC continued its working relationship with industry groups. During this first biennium of increased CE hours licensees must complete to keep their real estate licenses on an active status from 10 to 20 hours, the online renewal process went fairly smoothly.

Additionally, the REB continued its efforts to improve services to licensees by conducting in house training for employees not within REB but who provides services to REB's/REC's customers. To supplement this training, REB created a comprehensive training manual to PVL's clerical support staff for the processing and intake of forms.

For a comprehensive report on the FY 13 matters addressed by the Real Estate Commission and the Real Estate Branch, please refer to <http://cca.hawaii.gov/reb/reports/> to view their Annual Report for fiscal year ending June 30, 2013.

Significant Legislative Activities

PVL had a successful 2013 Legislative Session. The division introduced three administration bills and all three were approved by the Governor. They are Senate Bill No. 1074 (Act 220, SLH 2013), relating to physical therapy assistants; Senate Bill No. 1075 (Act 36, SLH 2013), relating to physical therapist continuing competency; and Senate Bill No. 1076 (Act 35, SLH 2013), relating to the doctor of acupuncture title. The division was also busy monitoring and testifying on bills that affected PVL. Bills impacting PVL which were passed into law in 2013 are described below.

Act 17, SLH 2013, relating to disposition of remains, establishes the disposition of remains act. It determines the priority of the persons who may direct the disposition of a decedent's remains and the arrangements for funeral goods and services; permits funeral establishments, cemeteries, mortuaries, and crematories to rely and act upon written directions from the decedent or persons who have the right of disposition without liability in certain circumstances and control the disposition and dispose of a decedent's remains in certain circumstances. Act 17 took effect on April 16, 2013.

Act 19, SLH 2013, relating to advanced practice registered nurses, amends HRS section 457-8.5, by changing the degree requirement for advanced practice registered nurse recognition from a master's degree in nursing to a graduate degree in nursing. Act 19 took effect on April 18, 2013.

Act 26, SLH 2013, relating to unlicensed contracting activities, prohibits the value of any work done by a unlicensed contractor to be used as an offset for the value of the property calculated in unlicensed contractor fraud cases. Act 26 took effect on April 18, 2013.

Act 29, SLH 2013, relating to notaries public, clarifies the information required to be on notary seals, authorizes the attorney general to adjust notary commission and renewal fees, and authorizes other fees related to the regulation of notaries public to be established and adjusted by rules. Act 29 took effect on April 22, 2013.

Act 35, SLH 2013, relating to physical therapy, amends HRS chapter 461J by mandating that physical therapists practicing in the State of Hawaii shall submit evidence of continuing competence at each renewal period. Act 35 takes effect on December 31, 2016.

Act 36, SLH 2013, relating to the use of doctor acupuncture title, amends HRS section 436E-13, by requiring acupuncture applicants for the use of the doctor of acupuncture title to complete their doctoral studies from an institution recognized by the United States acupuncture accrediting body or from a foreign institution that is licensed, approved, or accredited by the applicable governmental authority in that respective foreign jurisdiction and also requires applicants for the use of the doctor of acupuncture title who complete their doctoral studies from a doctoral program at an educational institution in a foreign jurisdiction to have their doctoral education credentials evaluated by professional evaluators designated by the Board of Acupuncture. Act 36 took effect on April 22, 2013.

Act 49, SLH 2013, relating to time shares, amends HRS chapter 514E, by requiring a time share plan's disclosure of the financial obligation of the purchaser to consist of: (1) A statement that the purchaser is obligated to pay the initial price in the purchase agreement; and (2) A list or description of any additional charges. The Act also clarifies that a sales or acquisition agent is not required to provide any promotional device or instrument to a prospective purchaser prior to making a sales presentation. Act 49 took effect on April 23, 2013.

Act 65, SLH 2013, relating to electrical contractors, amends HRS section 448E-13, by providing a limited exemption to the licensing requirements for certain individuals contracted with an electric utility to work with high voltage (six hundred volts or more), who are not licensed in Hawaii but satisfy specified requirements. The law sunsets on June 30, 2018. Act 65 took effect on April 30, 2013.

Act 103, SLH 2013, relating to family court, clarifies the appointment requirements and qualifications for child custody evaluators. The Act also requires the Judiciary to establish a referral process regarding a child custody evaluator appointed by the court. Act 103 took effect on June 14, 2013.

Act 116, SLH 2013, relating to the service of process, specifies the persons authorized to serve civil legal process. The Act mandates the Director of Public Safety to maintain a list of independent civil process servers. The Act also shields the State and the Department of Public Safety from liability arising from the acts of independent civil process servers. The Act establishes a working group to consider various aspects how process servers should be dealt with in the State. Act 116 took effect on June 14, 2013.

Act 174, SLH 2013, relating to professional employer organizations, repeals chapter 373K, Hawaii Revised Statutes. The Act clarifies professional employer organization responsibilities with respect to meeting the statutory requirements of the repealed chapter 373K, Hawaii Revised Statutes, and the nexus between the registration of professional employer organizations and qualification for the state general excise tax exemption. The Act also requires professional employer organizations to obtain a bond or irrevocable letter of credit equivalent on a sliding scale that is based on total payroll amount. The Act appropriates \$13,000. Act 174 took effect on July 1, 2013.

Act 176, SLH 2013, relating to the owner-builder exemption, amends HRS chapter 444, by setting forth specific responsibilities of and protections for owner-builders exempted from contractor licensing and other requirements; amends the fine schedule to be based on the circumstances of each case. Act 176 took effect on July 1, 2013.

Act 182, SLH 2013, relating to business, amends HRS section 436B-27, by clarifying that a professional or vocational licensee who inadvertently fails to maintain licensing requirements but who

subsequently corrects the failure so that there was no lapse in licensure shall not be guilty of unlicensed activity. The Act clarifies that a contractor who inadvertently fails to maintain licensing requirements and who subsequently corrects the failure so that there was a lapse of no more than sixty days in licensure shall not be guilty of unlicensed contracting activity. Act 182 took effect on July 1, 2013.

Act 183, SLH 2013, relating to continuing education, amends HRS chapter 467E, by requiring licensed social workers to complete a minimum of 15 credit hours of continuing education courses for the licensing renewal period beginning July 1, 2013, through June 30, 2016, and 45 credit hours of continuing education courses during each licensing renewal period, for the period beginning July 1, 2016, and thereafter. Act 183 took effect on June 25, 2013.

Act 184, SLH 2013, relating to remote dispensing, amends HRS section 461-10.5, by prohibiting remote dispensing pharmacies from operating within the State, excepting the two existing remote dispensing pharmacies operated by the Waianae Coast Comprehensive Health Center in Nanakuli and Waianae until June 1, 2014. The Act extends the repeal date of Act 212, Session Laws of Hawaii 2008, to January 1, 2016. Act 184 took effect on June 25, 2013.

Act 185, SLH 2013, relating to professional and vocational licensing, amends HRS section 436B-14.7, by limiting licensure by endorsement or reciprocity for military spouses to those spouses who are present in the State for at least one year pursuant to military orders. The Act also specifies that a license issued to a military spouse by endorsement or reciprocity shall be valid for the same time period as other similar licenses. The Act limits the validity of the license to a maximum of five years in the aggregate. Act 185 took effect on July 1, 2013.

Act 186, SLH 2013, relating to real estate seller disclosure, establishes a uniform standard for disclosure for condominium projects, cooperative housing corporations, and other community associations and clarifies the types of documents that are required to be disclosed. The Act requires the disclosure of documents within ten days after the title report is received. The Act also allows for the electronic receipt of documents with the buyer's consent. Act 186 took effect on November 1, 2013.

Act 187, SLH 2013, relating to condominiums, amends HRS chapter 514B, by adding support for mediation of condominium related disputes as one of the educational purposes supported by the condominium education trust fund. Beginning with the July 1, 2015, biennium registration, the Act imposes an additional annual condominium education trust fund fee dedicated to supporting mediation of condominium related disputes. The Act specifies the total fee payable into the condominium education trust fund. The Act also requires the real estate commission to make adjustments to the condominium education trust fund to ensure that adequate funds are available for mediation of condominium related disputes and any mediation requests are fully accommodated prior to the commencement of the additional annual condominium education trust fund fee. Act 187 took effect on July 1, 2013.

Act 189, SLH 2013, relating to telemedicine, amends HRS sections 453-1.3 and 465-3, by exempting from licensing requirements in the State any commissioned medical officer or psychologist employed by the U.S. Department of Defense, who is credentialed by Tripler Army Medical Center, while providing direct telemedicine support or services to neighbor island beneficiaries within a Hawaii national guard armory on the island of Kauai, Hawaii, Molokai, or Maui. Act 189 took effect on June 25, 2013.

Act 196, SLH 2013, relating to condominiums, amends HRS section 514B-146, by permitting the board of directors of a condominium association to collect a six-month special assessment from the mortgagee or other purchaser of a unit with a recorded lien for delinquent common assessments. The Act also specifies how excess rental income received by a condominium association shall be paid to existing lien holders. Act 196 took effect on June 25, 2013.

Act 197, SLH 2013, relating to suspension of foreclosure actions by junior lienholders, allows a condominium association, as a junior lienholder, to commence or continue a nonjudicial foreclosure action on a property subject to a judicial foreclosure even if the lender has filed for foreclosure. The Act preserves the right of owner-occupants to require the foreclosing mortgagee to participate in the dispute resolution process in situations where an association forecloses on residential real property occupied by one or more owner-occupant mortgagors for whom the unit is and has been the person's primary residence for a continuous period of not less than two hundred days immediately preceding the date on which the notice is served and the mortgagee subsequently forecloses its lien on the same property. Act 197 took effect on July 1, 2013.

Act 219, SLH 2013, relating to enforcement tools to improve patient safety, amends HRS chapter 453, by authorizing the Hawaii Medical Board to summarily suspend a license and order a licensee to submit to a physical and mental examination under specific circumstances. The Act specifies immunities for licensees who provide certain information to the Hawaii medical board. Act 219 took effect on July 1, 2013.

Act 220, SLH 2013, relating to physical therapy, amends HRS chapter 461J, by regulating physical therapist assistants by limiting the use of certain titles and requiring licensure. The Act specifies criteria for licensure. The Act also adds a physical therapist assistant to the composition of the Board of Physical Therapy. The Act appropriates funds out of the compliance resolution fund beginning July 1, 2014. Act 220 took effect on June 27, 2013.

Act 225, SLH 2013, relating to pharmacy benefit managers, prohibits pharmacy benefits managers, or their partially or wholly owned subsidiaries, from using a patient's medical health information to market or advertise to that patient the services of a preferred pharmacy network that is owned by the pharmacy benefits manager, without the express consent of the patient. The Act permits specific exceptions. Act 225 took effect on June 27, 2013.

Act 226, SLH 2013, relating to prescription drugs, specifies that an otherwise qualified retail community pharmacy that requests to enter into a contractual retail pharmacy network agreement shall be considered part of a pharmacy benefit manager's retail pharmacy network for purposes of a beneficiary's right to choose where to purchase covered prescription drugs. The Act requires specified entities to permit beneficiaries to fill any covered prescription that may be obtained by mail order at any pharmacy of the beneficiary's choice within the pharmacy benefit manager's retail pharmacy network. The Act also requires specified entities to file an annual report with the insurance commissioner disclosing certain amounts, terms, and conditions associated with a prescription drug benefit plan. The Act requires affected entities to report to the legislature prior to the regular sessions of 2014 and 2015. The Act also prohibits application to community retail pharmacies with a rural pharmacy designation. Act 226 took effect on June 27, 2013.

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Act 250, SLH 2013, relating to health, amends the division’s HRS chapters 453 and 457, by allowing health professionals, subject to certain requirements, to treat the partners of patients diagnosed as having certain sexually transmitted diseases by dispensing or prescribing medication to the partners without examining the partners. The Act provides limited liability protection. Act 250 took effect on July 1, 2013.

Act 263, SLH 2013, relating to open data, requires executive branch departments to make electronic data sets available to the public. The Act absolves the State from liability for certain deficiencies or incomplete data. The Act requires the Chief Information Officer to develop policies and procedures to implement the open data initiative. Act 263 took effect on July 1, 2013.

Act 277, SLH 2013, relating to timeshare conveyances, creates a new HRS chapter, to authorize the governor to appoint commissioners of deeds to administer oaths, take acknowledgements, and take proofs of execution outside of the United States in connection with the execution of conveyance documents relating to a time share interest, any property subject to a time share plan, or the operation of a time share plan covering any property located within the State. The Act requires written notice to be provided to consumers and establishes bonding requirements, penalties, and liabilities for commissioners of deeds. Act 277 took effect on July 1, 2013. This Act became law without the Governor’s signature.

Hawaii Administrative Rules Activities

In FY 13, amendments to the following rule chapters were adopted: HAR Chapter 53, relating to Fees (Condominium Property Regimes); HAR Chapter 71, relating to Certified Public Accountants and Public Accountants; HAR Chapter 88, relating to Naturopaths; HAR Chapter 89, relating to Nurses; HAR Chapter 100, relating to Speech Pathologists; and HAR Chapter 115, relating to Engineers, Architects, Surveyors, and Landscape Architects.

Significant Division Activity

PVL began the purging of licensee files that were stored in the basement since moving to KKB in 2003. PVL now regularly scans license applications and all supplementary documentation, as staff persons continue to oversee the purging of the scanned filed records. While the division supported and assisted with the basement purging project, it is now the responsibility of the Licensing Branch to keep up and sustain the project.

Financial Overview

The CRF financial summary relating to PVL for FY13 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$3,745,435	\$949,157	\$4,694,592	\$5,252,095

CONCLUSION

PVL continues to move ahead with its initiatives to improve accessibility to licensing services and information, and to 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

Professional and Vocational Licensing Division (PVL)

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.

The PVL staff and the regulatory licensing boards of PVL continue to maintain high performance standards, uphold consumer protection, work well as a team, and be responsive to increased demands.

Table 1: PVL Statistical Overview

	FY 11-12	FY 12-13
No. of applications received	13,120	14,290
No. of applicants licensed	10,125	9,678
No. of licenses renewed	68,420	57,243
No. of changes processed	200,405	209,689
No. of calls received by Licensing Branch	72,565	61,398
No. of current licensees	133,717	136,717
Total licensee population (all statuses - i.e. Current, forfeited, delinquent)	353,980	363,880

Table 2: Total Number of Current PVL Licensees

Boards and Commissions (shown by asterisk *), and Programs	FY 11-12	FY 12-13
Accountants*	3,101	3,327
Activity Desks	784	851
Acupuncturists*	677	719
Athletic Trainers		196
Barbering and Cosmetology*		
Barbers	1,290	1,386
Barber Shops	186	208
Beauty Operator*	8,111	8,718
Beauty Instructor	92	105
Beauty School	10	11
Beauty Shops	1,222	1,415
Boxing (all categories)*	52	23
Cemeteries and Pre-Need Funeral Authorities	22	22
Chiropractors*	591	626
Collection Agencies	626	604
Contractors*	12,533	12,589
Dentists*	1,507	1,520
Community Service Dentists	25	28
Dental Hygienists	963	1,030
Community Service Dental Hygienists	5	1
Dispensing Opticians	201	195
Electricians (all categories)*	3,100	3,443
Plumbers (all categories)*	1,199	1,164
Electrologists	18	17
Elevator Mechanics*	230	227
Employment Agencies	77	69
Engineers, Architects, Surveyors, and Landscape Architects:*		
Engineers	5,986	6,450
Architects	2,225	2,372
Surveyors	205	207
Landscape Architects	148	153

Professional and Vocational Licensing Division (PVL)

Hearing Aid Dealers & Fitters	115	130
Marriage and Family Therapists	278	323
Massage Therapists*	7,982	7,750
Massage Establishments	886	812
Medical and Osteopathy*		
Physicians	8,558	8,772
Podiatrists	77	82
Osteopaths	780	764
Physician Assistants	240	302
Emergency Medical Technicians	637	688
Mobile Intensive Care Technicians	454	493
Mental Health Counselors	236	264
Mixed Martial Arts	134	214
Motor Vehicle Dealers*	269	251
Motor Vehicle Dealer Branch	40	39
Motor Vehicle Distributor	41	37
Motor Vehicle Manufacturer	40	38
Motor Vehicle Salespersons	1,601	1,672
Motor Vehicle Repair Dealers*	787	829
Motor Vehicle Mechanics	1,743	1,860
Naturopaths*	121	141
Nursing*		
Registered Nurses (RN)	20,715	23,534
Licensed Practical Nurses (LPN)	2,688	2,982
Advanced Practice Registered Nurse (APRN)	1,051	1,180
APRN with Prescriptive Authority	352	438
Nurse Aides	7,682	7,490
Nursing Home Administrators	147	139
Occupational Therapists	647	583
Optometrists*	390	410
Pest Control Operators*	190	188
Pest Control Field Representatives	247	216
Pharmacists*	2,213	2,395
Pharmacies	257	277
Wholesale Prescription Drug Distributors	71	75
Miscellaneous Permit	377	445
Physical Therapists*	1,468	1,398
Port Pilots	10	10
Private Detective Agencies*	42	41
Private Detectives	118	108
Guard Agencies	87	82
Guards	114	103
Psychologists*	1,004	1,044
Real Estate Appraisers	556	584
Real Estate Brokers*	6,441	6,247
Real Estate Salespersons	12,274	10,851
Real Estate Branch Offices	71	85
Condominium Hotel Operators	29	27
Respiratory Therapists	374	447
Social Workers	1,776	1,915
Speech Pathologists*	537	618
Audiologists	70	77
Travel Agencies	1,183	1,282
Uniform Athlete Agents	6	3
Veterinarians*	476	489
TOTAL	133,868	138,900

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

License Types	FY 09-10	FY 10-11	FY 11-12	FY 12-13
Accountant	2,203 (90.4%)		2,105 (88.7%)	
Accountancy Firm Permit to Practice			285 (95%)	
Activity Desk	170 (75.9%)		194 (87.8%)	
Acupuncturist		561 (93.81%)		595 (93.26%)
Architect	2,004 (97.6%)		2,026 (94.76%)	
Audiologist	55 (94.8%)		60 (92.3%)	
Barber	709 (62.6%)		907 (79.4%)	
Barber Shop	96 (58.5%)		99 (58.6%)	
Beauty Operator	4,832 (71.5%)		5,991 (85.9%)	
Beauty Instructor	61 (82.4%)		67 (88.2%)	
Beauty Shop	665 (65.5%)		691 (66%)	
Chiropractor	434 (80.7%)		507 (92.2%)	
Contractor		7,089 (74.53%)		5,791 (60.59%)
Community Service Dentist			19 (86.4%)	
Dental Hygienist	747 (88.4%)		837 (96%)	
Dentist	1,257 (88.6%)		1,368 (95.5%)	
Dispensing Optician	151 (90.4%)		147 (89.09%)	
Electrologist		12 (70.59%)		12 (100%)
Electrician		1,942 (71.9%)		
Elevator Mechanic	161 (81.3%)		144 (71.29%)	
Emergency Medical Technician (basic)	462 (86%)		540 (93.8%)	
Emergency Medical Technician (paramedic)	353 (86.5%)		398 (93.6%)	
Guard	44 (62.9%)		78 (86.67%)	
Guard Agency	35 (67%)		48 (77.42%)	
Hearing Aid Dealer and Fitter	86 (85.1%)		96 (94.1%)	
Landscape Architect	142 (97.9%)		136 (95.1%)	
Land Surveyor	193 (97.5%)		193 (96.5%)	
Marriage and Family Therapist		192 (86.1%)		
Massage Establishment	500 (79.5%)		526 (82.97%)	
Massage Therapist	5,130 (80.5%)		5,707 (86.08%)	
Mental Health Counselor		197 (92.92%)		
Motor Vehicle Auction	4 (80%)		5 (100%)	
Motor Vehicle Broker	1 (100%)		1 (100%)	
Motor Vehicle Branch	27 (87%)		30 (90.91%)	
Motor Vehicle Consumer Consultant	4 (80%)		3 (75%)	
Motor Vehicle Dealer	175 (80.3%)		194 (87%)	
Motor Vehicle Salesperson	947 (86.7)		1,087 (89.54%)	
Motor Vehicle Repair Dealer		361 (54.86%)		437 (67.65%)
Motor Vehicle Repair Registered Mechanic		254 (48.94%)		338 (74.12%)
Naturopath	85 (94.4%)		88 (81.5%)	
Nurse, Advanced Practice Registered (APRN)		710 (78.8%)		820 (80.16%)
Nurse, Licensed Practical (LPN)		2,011 (88.47%)		1,997 (88.6%)
Nurse, Registered (RN)		15,937 (89.87%)		17,169 (87.81%)
Nursing Home Administrator	101 (80%)		106 (86.18%)	
Occupational Therapist		392 (87.5%)		438 (92.41%)
Optometrist	303 (89.1%)		321 (88.2%)	
Osteopath	432 (81.5%)		519 (86.79%)	
Pest Control Field Representative	146 (84.9%)		155 (91.18%)	
Pest Control Operator (inactive status only)	3 (30%)		7 (46.67%)	
Pharmacist	1,748 (90.9%)		1,997 (94.4%)	
Pharmacy	121 (52.6%)		130 (52.6%)	
Pharmacy – Misc. Permit	188 (70.7%)		239 (74.7%)	

Professional and Vocational Licensing Division (PVL)

Pharmacy – Wholesale Prescription Drug Dist.	36 (70.6%)		46 (73%)	
Physical Therapist		1,015 (84.3%)		1,175 (93.48%)
Physician	5,820 (80.6%)		6,588 (87.8%)	
Plumber			853 (85.47%)	
Podiatrist	50 (71.4%)		54 (75%)	
Private Detective	68 (73.9%)		90 (90%)	
Private Detective Agency	22 (68.8%)		24 (77.42%)	
Professional Engineer	5,138 (97.7%)		5,528 (95.96%)	
Psychologist	715 (84.7%)		869 (92.45%)	
Real Estate Branch Office		54 (81.82%)		51 (72.86%)
Real Estate Broker		5,660 (96.82%)		5,391 (92.31%)
Real Estate Salesperson		10,326 (97.75%)		9,237 (94.31%)
Social Worker	678 (81.5%)			1,395 (88.57)
Speech Pathologist	400 (90.3%)		399 (83%)	
Travel Agency	593 (71.4%)		692 (90.8%)	
Uniform Athlete Agent	1 (100%)		3 (100%)	
Veterinarian	340 (85.9%)		388 (89.2%)	
TOTAL	39,174 (82.81%)	46,713 (87.35%)	43,585 (88.4%)	44,846 (84.38%)

Table 4: Total Number of Email Inquiries

Boards and Programs	FY 11-12	FY 12-13
Accountancy	1,231	861
Activity Desk	55	18
Acupuncture	228	218
Athletic Trainer		91
Barbering and Cosmetology	834	1,031
Boxing	34	0
Cemetery and Pre-Need Funeral Authority	16	15
Chiropractor	308	218
Collection Agency	687	628
Contractor	1,035	1,365
Dentist and Dental Hygienist	227	156
Dispensing Optician	11	45
Electrician and Plumber	377	330
Electrologist	3	5
Elevator Mechanic	18	26
Employment Agency	13	5
Engineer, Architect, Surveyor, and Landscape Architect	272	243
Exam Branch	86	97
Hearing Aid Dealer and Fitter	42	53
Marriage and Family Therapist	116	179
Massage Therapy	1020	1,040
Medical and Osteopathy	3,322	2,826
Mental Health Counselor	235	322
Mixed Martial Arts	573	711
Motor Vehicle Industry	195	215
Motor Vehicle Repair	91	57
Naturopathy	97	85
Nurse Aide	204	114
Nursing	2,343	2,464
Nursing Home Administrator	24	48
Occupational Therapist	133	198
Optometry	274	175
Pest Control	68	99

2013 Compliance Resolution Fund Report

Professional and Vocational Licensing Division (PVL)

Pharmacy and Pharmacist	3,309	1,961
Physical Therapy	638	808
Private Detective and Guard	382	682
Psychology	438	509
Professional Vocational Licensing (PVL)	2,408	2,994
Real Estate	6,568	8,688
Real Estate Appraiser	987	939
Respiratory Therapist	155	65
Social Worker	255	353
Speech Pathology and Audiology	133	154
Subdivision	21	31
Time Share	501	473
Travel Agency	102	148
Uniform Athlete Agent	8	3
Veterinary	110	140
TOTAL	30,187	31,886

REGULATED INDUSTRIES COMPLAINTS OFFICE (RICO)

website: www.cca.hawaii.gov/rico

e-mail address: rico@dcca.hawaii.gov

OVERVIEW

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

As the enforcement arm of the Department's professional and vocational licensing boards, commissions and programs, RICO handles complaints, investigations and prosecutions of over forty-eight (48) 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 (State Office Tower), 235 South Beretania Street (8th and 9th Floors), Honolulu, Hawaii 96813. The division operates four neighbor island offices in Hilo, Kailua-Kona, Wailuku, and Lihue.

RICO's functions can be divided into two main categories: (1) education, information, complaint intake and alternative dispute resolution functions which are performed by the division's Consumer Resource Center, and (2) investigation and prosecution functions for the licensing boards, commissions and programs within the Department's Professional and Vocational Licensing Division which are performed by the division's field investigation and legal branches.¹⁸ RICO staff consists of intake investigators, field investigators, attorneys and support staff. Approximately one-fifth of RICO's full-time positions are located in four neighbor island offices. The primary functions of the RICO branches are generally described as follows:

Consumer Resource Center (Education, Information, and Intake)

The Consumer Resource Center ("CRC") handles all intake functions for RICO and the Office of Consumer Protection ("OCP"). With the easy to remember 587-4272 (4-CRC) telephone number, CRC provides an efficient means for the public to obtain consumer information, make complaint-related inquiries, and submit formal complaints. Information and assistance to the public is available through telephone, facsimile, walk in contact, and through the RICO website at www.cca.hawaii.gov/rico. CRC investigators answer questions and educate 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 of RICO complaints and forwards appropriate cases for further investigations or prosecution to the other sections of RICO.

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.

¹⁸ See, Section 26-9, 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 (587-4272) 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.businesscheck.hawaii.gov. 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 and civil legal actions that have been 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 Branch

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 48 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 an 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. To meet this responsibility, neighbor island staff members must know some information about every division in 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).

State Certified Arbitration Program The State Certified Arbitration Program (SCAP), more commonly known as the lemon law program, provides an arbitration forum for consumers to resolve warranty-related disputes with motor vehicle manufacturers without having to hire an attorney.

RICO's Legal Branch handles the administration of SCAP. 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 does this proactively through sweeps, stings, and compliance checks. The division gauges performance by, among other things, the number of enforcement actions it brings and the number it completes.

In providing excellent customer service, RICO staff strives to address complaints timely and expeditiously, investigations and prosecutions are to be handled equally, fairly and with integrity, and all people are to be treated with respect. Excellent customer service occurs throughout the RICO process: intake investigators familiarize themselves with other agencies and assist consumers who have reached RICO in error to find the appropriate agency/resource; field investigators may attempt to mediate disputes where possible; and staff attorneys consider restitution requests when evaluating RICO cases. RICO activities are also 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 providing additional information available online. The division gauges performance by, among other things, the amount of consumer outreach conducted (educational, fairs, neighbor island assistance, speaking engagements and telephone assistance).

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 training for staff, adequate staffing, database enhancements, and streamlined report writing. The division evaluates performance by monitoring the amount of time a case is handled by each branch.

ACCOMPLISHMENTS

Enforcement Prosecutions:

The following table summarizes RICO legal actions for the 2012-2013 fiscal year:

RICO Proceedings Filed FY 13	
Petitions for Disciplinary Action	46
Settlement Agreement and Order	94
Citations (Unlicensed Activity)	62
Complaints (Unlicensed Activity)	34
Consent Judgments (Unlicensed Activity)	47
Assurance of Voluntary Compliance	16
Miscellaneous/Special Proceedings	0
Total	299

RICO Proceedings Outcomes FY 13		
Board Orders (total)		144
Revocation Orders	48	
Suspension Orders	15	
Assurance of Voluntary Compliance		16
Unlicensed Activity Judgments and Orders		158
Fines Assessed	\$874,990.87	
Restitution Assessed	\$508,511.46	
Total Proceeding Outcomes		318

Legislation:

RICO submitted two bills for consideration during the 2013 legislative session. The first, Act 176, SLH 2013, amended Hawaii’s owner-builder law and went into effect July 1, 2013. Under the law, owner-builder permits are no longer applicable to construction involving industrial or commercial structures, and licensed contractors who work with owner-builders must provide the same disclosures to the owner-builders that all other homeowners receive. Under the new law, owner-builders must keep records related to their projects for three years. Persons who fail to comply with owner-builder requirements can be fined up to \$5,000.00 or 50% of the permit value of the work to be performed, whichever is greater. Subsequent violations could result in a \$10,000.00 fine or 60% of the permit value of the work to be performed, whichever is greater. In response to the new law, RICO issued a new brochure about the risks and responsibilities of acting as an owner-builder. The brochure is available on the RICO website.

The second bill, Act 219, SLH 2013 (effective July 1, 2013), authorizes the Hawaii Medical Board to summarily suspend a license to protect the public from immediate or unreasonable threats, fraud, or misrepresentation. The new law sets forth the circumstances under which the Medical Board or its delegate can summarily suspend a license, the contents of an order of summary suspension, the means of service of the order, and the length of time the order remains in effect. Under the law, a licensee can request a hearing on a summary suspension order and the Medical Board is required to hold a hearing within seven days of the licensee’s request. The law also authorizes the Medical Board to order a licensee to submit to a mental or physical examination when the Medical Board has reasonable cause to believe a licensee is unable to practice medicine. The law also grants immunity to licensees who provide information to the Medical Board that a fellow licensee may be guilty of misconduct or may be impaired.

RICO worked on several additional legislative initiatives affecting both industry and consumers, including bills relating to real estate and licensing of electricians and plumbers.

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 Building Industry Association 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, the importance of hiring a licensed contractor, and the risks and responsibilities of acting as an owner-builder. In addition to providing complaint history about alleged unlicensed contracting, RICO provides a Quarterly List of Unlicensed Activity Judgments online.

RICO is also committed to providing information to seniors about fraud. RICO works with law enforcement agencies on elder abuse issues, and participates in several elder abuse task forces in the state. Over the year, RICO also participated in a number of senior fairs, providing information and tips geared toward seniors, including strategies for answering the door and answering the phone.

For the general public, RICO provides a link on its website to both the Department’s monthly press release of professional disciplinary orders and a detailed explanation of its complaints handling process.

The CRF financial summary relating to RICO for FY13 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$4,109,756	\$564,673	\$4,674,429	\$5,763,254

CONCLUSION

With responsibility for the enforcement of the licensing laws of over 48 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

	2011	2012	2013
Telephone Requests for Complaints History, License Status and Business Registration	53,025	57,399	53,631
Complaint Inquiries & Forms issued by CRC	15,797	14,554	12,691
TOTAL	68,822	71,953	66,322

Table 2: Complaints Filed With RICO

	2011FY	2012FY	2013FY
Accountants	8	11	18
Activity Desks	2	17	6
Acupuncturists	0	2	1
Athletic Trainers (effective 1/1/13)	-	-	1
Barbers & Cosmetologists	66	85	52
Boxing	0	0	0
Cemeteries and Pre-Need Funeral Authorities	5	4	3
Chiropractors	7	7	1
Collection Agencies	12	8	5
Contractors	363	346	354
Dentists and Dental Hygienists	16	30	20
Dispensing Opticians	6	4	17
Electricians & Plumbers	31	43	39
Electrologists	0	0	0
Elevator Mechanics	0	0	0
Employment Agencies	0	0	2
Engineers, Architects, Surveyors and Landscape Architects	31	26	25
Hearing Aid Dealers & Fitters	0	1	0
Marriage and Family Therapists	0	0	1
Massage Therapists	78	95	31
Medical (including Osteopathy)	53	74	58

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Mental Health Counselors	0	1	0
	2011FY	2012FY	2013FY
Mortgage Brokers & Solicitors***	27	5	4
Motor Vehicle Industry	55	20	44
Motor Vehicle Repair	37	36	47
Naturopaths	1	1	3
Nursing	32	8	18
Nursing Home Administrators	1	0	0
Occupational Therapist	1	0	0
Optometrists	2	0	1
Pest Control	7	3	3
Pharmacy	18	7	21
Physical Therapists	2	1	1
Pilotage	0	0	0
Private Detectives & Guards	12	10	3
Psychologists	5	6	4
Real Estate Appraisers	10	8	6
Real Estate (including Condominiums)	159	147	211
Respiratory Therapists (effective 7/1/2011)	0	0	0
Social Workers	2	3	2
Speech Pathologists & Audiologists	0	0	0
Subdivision	0	0	1
Time Share	3	5	1
Travel Agencies	9	19	7
****Mixed Martial Arts (Chapter 440D repealed and replaced by Chapter 440E (Mixed Martial Arts, 7/1/2009)	1	2	10
Uniform Athlete Agents (effective 7/1/08)	0	0	0
Veterinarians	4	4	7
	1,068*	1,039*	1,028*

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

**Includes compliance checks.

*** The former Mortgage Broker and Solicitor Program enforced Chapter 454 HRS. The Chapter was repealed effective January 1, 2011.

****fka No Rules Combat.

Table 3: Assistance by Neighbor Island RICO Offices in FY 2013

AGENCY	HILO	KAUAI	KONA	MAUI	TOTAL
Division of Financial Institutions	19	0	14	0	33
Business Registration	423	538	518	76	1,555
Cable Television	3	0	0	0	3
Insurance Division	32	10	56	10	108
Division of Consumer Advocacy	24	8	2	0	34
Professional & Vocational Licensing	483	296	621	265	1,665
Office of Consumer Protection	218	249	96	156	719
Non-Department Related	399	593	313	446	1,751
Totals	1,601	1,694	1,620	953	5,868

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

TOTAL NO. OF COMPLAINTS January-December 2012	
BMW	1
FORD	1
GM Saturn (1) Cadillac (2)	3
HYUNDAI	2
KAWASAKI (motorcycle)	1
KIA	2
NISSAN	2
TOTALS	12
*Cases arbitrated	4
Cases settled	7
Cases withdrawn/dismissed	1
More than \$229,000 was recovered by consumers.	

*Of the cases arbitrated, 1 arbitration was in favor of the manufacturer and 2 were in favor of the consumers.