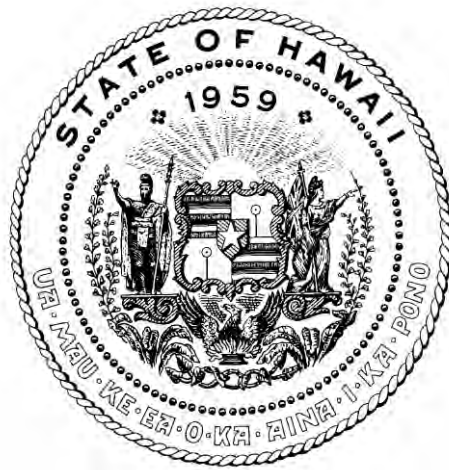


2015 Annual
Compliance Resolution Fund Report
to the Legislature



**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 or Department) submits its Annual Compliance Resolution Fund Report as mandated by section 26-9(o), Hawaii Revised Statutes (HRS). The report describes the use of the Compliance Resolution Fund (CRF) for the fiscal year (FY) beginning July 1, 2014 and closing June 30, 2015 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, Session Laws of Hawaii (SLH) 1999, regarding the statement of goals, objectives, and policies.

The CRF is the primary funding source for DCCA's programs, and it relies solely on fees and charges from DCCA's various programs without having to rely on tax revenues. Pursuant to section 26-9(o), HRS, 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 of DCCA 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. As defined in section 26-9(o), HRS, "compliance resolution" means a determination of whether:

- (1) Any licensee or applicant under any chapter subject to the jurisdiction of DCCA has complied with that chapter;
- (2) Any person subject to chapter 485A, HRS, has complied with that chapter;
- (3) Any person submitting any filing required by chapter 514E, HRS, or section 485A-202(a)(26), HRS, has complied with chapter 514E, HRS, or section 485A-202(a)(26), HRS;
- (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, HRS, 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.

GOALS and OBJECTIVES

The Department's goals and objectives may be found throughout this report explained in detail in the individual divisions' respective sections.¹ A brief summary of departmental goals and objectives is included here:

- To ensure effective and timely oversight of regulated industries and greater promotion of consumer education by providing each of the Department's divisions with adequate resources to carry out their respective responsibilities.
- To improve and upgrade, where necessary, existing operating systems and technologies used throughout the Department in order to enhance the Department's capabilities in responding to consumer issues and in supporting businesses in successfully navigating the regulatory environment, and to provide for transparency and accountability in its operations.
- To improve the regulatory environment for businesses and consumers, alike, by working in collaboration with fellow agencies to identify opportunities to support more effective, efficient regulation, as well as to foster opportunities to promote safe and appropriate economic development.

Accomplishments

The Department's overall CRF financial summary FY2015 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$29,779,355	\$10,084,041	\$39,863,396	\$42,722,294

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. Additionally, it is the Department's longstanding financial goal to bring its beginning year cash reserves to nine (9) months of budget ceiling plus overhead. 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.

¹ The Public Utilities Commission (PUC) is funded via the Public Utilities Commission Special Fund pursuant to Section 269-33, HRS, and not in any part by the CRF. Although Act 108, SLH 2014 (Act 108), transferred the PUC for administrative purposes only to DCCA from the Department of Budget and Finance (DBF), the funding for mechanism for the PUC remained unchanged. In addition, the PUC is required by Section 269-5, HRS, to submit its own annual report (PUC Annual Report) to the Hawaii State Legislature (Legislature). Please see the PUC Annual Report for additional information on PUC operations.

The CRF financial summary relating to ADMIN (Director’s Office, Personnel, Office of Administrative Hearings, Fiscal and Administrative Services Offices and the Information Systems and Communications Office) for FY2015 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$4,274,851	\$2,471,273	\$6,746,124	\$513,607

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. The Information Systems and Communications Office provides system and technical computer support services for various DCCA programs. The Office of Administrative Hearings conducts formal administrative hearings for the Department’s 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 the Department of Education under the Individuals with Disability Education Act (IDEA).

ACCOMPLISHMENTS of the DIRECTOR'S OFFICE AGENCIES

Director’s Office Consumer Education: The Director’s Office consumer outreach program coordinates, partners and participates in community education events. The program continues to expand the Department’s reach into the community.

The Director’s Office organized the 10th Annual National Consumer Protection Week Fair on March 2, 2015 at the Airport Post Office and on March 4, 2015 at the King Kalakaua Building in downtown Honolulu. This event has over two dozen organizations providing information about services that will help our consumers make educated decisions in the marketplace.

The Director’s Office organized the Military Consumer Protection Day Fair on July 15, 2015 at the Navy Exchange for our service members to provide them with free resources as a first line of defense against fraud. This event was a joint initiative with the Department of Defense, Federal Trade Commission and the Consumer Financial Protection Bureau to empower active and retired service members, military families, veterans, and civilians in the military community.

The Director’s Office coordinated a financial education program throughout Hawaii’s public schools on Oahu and the Big Island. The DCCA partnered with the Hawaii Public Library System, Queen Liliuokalani Children’s Center, and Pearl Harbor Federal Credit Union to bring this program to 10,116 students and 587 teachers at 30 schools. This National Theatre for Children program brought in the charismatic characters Sheriff Gooper and John DeRange of the Loose Change Gang teaching our students about the importance of money.

The Director’s Office launched its second statewide public service announcement campaign with a 30-second commercial highlighting mortgage rescue fraud and the importance of contacting a certified

government housing counselor. The television commercials' testimonials provided a unique perspective at how scams affect Hawaii's residents.

The Director's Office partnered with the University of Hawaii College of Tropical Agriculture and Human Resource to tape Take Charge of Your Money 4 tele-course series. The consumer education program coordinated eight spots that will help Hawaii's consumers learn more about the issues being addressed by the Department that affect our homeowners, investors, and consumers. The spots will air in Spring 2016.

The Department continued its partnerships with Consumer Financial Protection Bureau, Federal Trade Commission, U.S. Postal Service, and other national and local agencies, and participated in numerous other outreach events throughout the state, including at the State Capitol.

Hawaii Post-Secondary Education Authorization Program (HPEAP): In 2015, HPEAP issued two new school authorizations, bringing the total number of authorized schools to 24. The program also received five complaints.

In April 2015, Heald College closed suddenly, resulting in the displacement of hundreds of Hawaii students. HPEAP was heavily involved in ensuring that the winding down process sufficiently addressed student needs. In addition, HPEAP reached out to the State of Hawaii's Department of Labor and Industrial Relations' "Rapid Response" team to provide assistance to affected employees and faculty. Incident to Heald College's closure, Heald placed its records in a storage facility locally and provided HPEAP with a key to the unit. HPEAP's administrator thereafter catalogued over 850 boxes of records in storage in order to locate critical archived student transcript documents. HPEAP also recreated student transcripts from data that had been extracted from Heald's proprietary software, with the help of DCCA's IT staff. HPEAP received hundreds of phone and email inquiries and as of November 20, 2015, issued close to 800 Heald transcripts.

HPEAP is working on the requirements to join the Western Interstate Commission for Higher Education's State Authorization Reciprocity Agreement (SARA). Joining SARA will make it easier for Hawaii-based institutions to participate in interstate distance education, make distance education courses more accessible to Hawaii students across state lines, and help Hawaii to effectively regulate distance education in uniformity with other states. The Department 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: In 2015, the Director's Office, including the multiple DCCA administrative services and support offices, oversaw the Department's legislative activities involving budgetary or fiscal, personnel, general administrative, and other department-wide issues. This oversight role was in addition to assisting DCCA's multiple divisions with their own legislative operations, including coordination amongst and between divisions and serving as legislative point-of-contact when necessary. The Department submitted more than 450 testimonies during the 2015 legislative session on a wide variety of issues that ranged from the creation of new vocational licensing programs to the improvement of the Hawaii Insurance Code to projects supporting the development and deployment of broadband technology across Hawaii. Each of the Department's primary legislative proposals – those introduced as part of the Governor's administrative package of legislation – were passed by the Legislature and subsequently enacted. Following adjournment of the 2015 legislative session, the Department's

Legislative Coordinator continues to support DCCA, as a whole, in implementing a wide-ranging set of legislative directives and in coordinating activities on a department-wide scale in preparation for the 2016 legislative session.

Information Systems and Communications Office (ISCO): For FY2015, ISCO continued to leverage technology to provide more efficient and expanded services to the Department. Old desktop computers are being replaced with high efficiency systems that draw 84% less power, but have even more computing capacity. Once these new high efficiency systems are deployed, the Department anticipates a significant reduction in overall power consumption.

ISCO also continued efforts to expand the use of server virtualization technology, which has allowed for the expansion of the Department's capabilities to handle the new systems that will replace existing legacy applications. Expanding the use of server virtualization technology has resulted in energy savings from both the lower power draw of the equipment, and in the form of less energy needed to cool the DCCA server room.

In the applications area, ISCO was able to complete the second phase of the complex process of replacing the Professional and Vocational Licensing Division's Applicant/Licensee Integrated Automated System (ALIAS) software application. ALIAS is a legacy application that is very expensive to maintain, and will be replaced with a solution that provides modern tools and expanded capabilities, all while maintaining compliance with the statewide standards set by the Office of Enterprise Technology Services. In addition to this, ISCO is in the final phase of completing the Insurance Division's Insurance Rate Review software application.

Departmental Support Services/PUC Transfer: In implementing the requirements of Act 108, various members of the Department's departmental support offices were integral in creating a smooth transition of the PUC from DBF to DCCA over the course of FY2015. The complex administrative transfer of the PUC required the guidance of DCCA staff – including those in personnel, administrative, and information systems services – in collaboration with PUC and DBF staff. Effective July 1, 2015, the PUC administrative transfer to DCCA was completed and follow-up work continues in order to develop additional internal administrative staff and resources for the PUC, which is in line with the purpose and intent of Act 108 to make the PUC operate in a more streamlined fashion.

CONCLUSION

As the commercial environment continues to change and evolve into a truly global marketplace, the Department is dedicated to ensuring that consumer protection in Hawaii is as strong as ever. This requires the Department to keep pace with new forms of doing business, and to stay ahead of any consumer risks arising in this changing environment. Under the leadership of the Director's Office, DCCA's many divisions remain dedicated to "being on the job" and to improving the safety of local consumers and the processes by which businesses are regulated. We look forward to facing a constantly evolving set of challenges, and we continue to work every day at making Hawaii a safer place for consumers and a better place in which businesses may operate.

BUSINESS REGISTRATION DIVISION (BREG)

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OVERVIEW

The Business Registration Division (BREG) has three primary functions: (1) ministerial business registration, processing and maintenance of business formation documents for public access including corporations, general and limited partnerships, limited liability partnerships, limited liability limited partnerships, limited liability companies, trade names, trademarks, service marks and publicity rights; (2) one-stop point-of-service assistance to the public to help businesses apply for state business and employer registrations and state taxpayer IDs; and (3) substantive regulatory oversight of the securities industry and franchises in the state in the following areas: (a) registration of broker-dealers, securities 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 Hawaii Uniform Securities Act and state franchise laws.

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 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. From October 2015 through February 2016, the Business Action Center is also running a pilot program bringing its services to the West Hawaii Civic Center: 74-5044 Ane Keohokalole Highway, Building C, 2nd Floor, Kailua-Kona, Hawaii 96740.

Composition

The **Documents Registration Branch (DRB)** 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. The Documents Registration Branch is comprised of one branch supervisor, three section supervisors, 14 business registration assistants, and 16 office assistants.

The **Business Action Center (BAC)** operates business action center offices on Oahu, Maui, and Hawaii 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 BAC has a staff of one business registration supervisor and four business registration assistants to cover all three offices spread across the state.

The **Securities Enforcement Branch (SEB)** enforces state laws governing the securities industry under the Hawaii Uniform Securities Act and franchises under the Franchise Investment Law and other 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 SEB is comprised of one Senior Enforcement Attorney, four attorneys, one supervising investigator, six investigators, one legal secretary, three legal clerks, and one office assistant.

The **Securities Compliance Branch (SCB)** handles the registration activities for the securities industry operating in the state. This includes the registration of securities broker-dealers, securities 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 SCB is comprised of one securities compliance specialist, one examination supervisor, one licensing supervisor, five examiners, four licensing clerical staff, and one secretary.

The **Investor Education Program (IEP)**, which falls under the SCB, provides investor education and financial literacy outreach statewide. The IEP maintains outreach programs in the areas of: 1) Kupuna (seniors); 2) Working Families/Union Members; 3) Keiki (youths); 4) Military; 5) Hawaiian and other ethnic communities; 6) Caregivers; and 7) Industry Professionals. Free educational presentations and exhibits provided by the IEP include information to help consumers/investors detect and prevent securities fraud and how to report securities violations. The IEP is comprised of one education specialist, one program assistant, and one multi-media assistant.

GOALS and OBJECTIVES

The goal of the **DRB** is to be an efficient, customer-oriented business registry. To accomplish this, the branch continuously strives to:

- 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;
- Modernize the business laws so that they track as closely as possible the most current versions of the best uniform or model laws;
- Enhance the information systems to improve retrieval, processing and recording of public filing information while protecting the integrity of the data system; and
- Develop more online services and other innovations that will be useful to many.

The goal of the **BAC** is to be a responsive and helpful point-of-service business center for business registration and licensing assistance to as many businesses in Hawaii as possible. To accomplish this, the BAC strives to continually:

- Provide efficient customer service to the public who visit or otherwise contact the BAC for assistance;
- Develop relationships with the business community and seek ways to reach communities in need of business registration assistance; and
- Work closely with other state agencies (including cross-training) to improve customer service and help increase compliance with new laws.

The goal of the **SEB** is to be an effective state securities regulatory agency that is responsive, appropriately aggressive and efficient. The difficult nature and complexity of the cases being handled is increasing every year. Cases involving multiple respondents, multiple complainants, and multiple bank accounts are occurring with much greater frequency requiring extensive financial analysis. The SEB continuously works to:

- Investigate and prosecute state securities violations under the Hawaii Uniform Securities Act;
- Receive complaints from the public and respond quickly and appropriately;
- Reduce case backlog;
- Inform consumers of enforcement matters and investment scams through participating in investor education;
- Develop and implement internal procedures that will improve the timely and effective resolution of cases, improving the SEB's overall effectiveness;
- Ensure that staff understands the SEB's mission and purpose through internal and cross training;
- Attend and develop training to keep professional staff current on emerging investigative techniques, legal analysis and trends in securities fraud and other securities violations;
- Draft and assist in securities legislation; and
- Work with the media to raise public awareness of securities fraud.

The goal of the **SCB** is to be an effective state securities regulatory agency that is responsive, appropriately aggressive and efficient. There are several significant changes in securities regulation under the federal Jumpstart Our Business Startups Act or JOBS Act that staff are currently carefully monitoring. The SCB continuously works to:

- Keep current with regulatory changes and updates by providing ongoing training for professional staff;
- Implement a regular field examination cycle for registered broker-dealers and state registered investment advisers; and
- Develop and implement internal procedures that will improve the efficiency of processing applications.

The goal of the **IEP** is to develop meaningful 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. To accomplish this, the IEP is committed to:

- Continuing to develop partnerships with federal, state and county agencies, nonprofit organizations and private companies to provide outreach throughout Hawaii to various audiences; and
- Expanding statewide outreach by conducting fraud prevention presentations, exhibiting investor education materials at various community events, and utilizing multimedia technology to reach audiences in a current and relevant manner.

ACCOMPLISHMENTS

Documents Registration Branch

- The DRB continues to work to ensure that business registration information on file is readily available, accessible, and current in order to support commercial activities in the state.
- Filings continue to increase yearly as over 143,600 documents were filed during FY2015. The DRB also maintains the public registry of over 166,700 active businesses, trade names, trademarks and service marks.
- The Hawaii Business Express business registration portal at hbe.ehawaii.gov continues to be a popular service among users with over 6.8 million unique hits a year.
- The DRB has reached an 87% voluntary online adoption rate for annual renewals. The online adoption rate reduces paper, postage and other costs for the customers, helps keep our community green and reduces BREG's manual handling, thereby allowing faster automated processes.
- In December 2014, the DRB launched alertme.ehawaii.gov, which offers mobile-friendly notification services through MyBusiness Alerts and MyBusiness Reminders to monitor a user's business activity and reminding users about key business filing deadlines and actions.
- In May 2015, the branch was presented with a Merit Award from the International Association of Commercial Administrators for its "AlertMe" services.

Business Action Center

- The BAC offices on Oahu, Maui, and Hawaii Island provided personal assistance to customers 20,600 times this FY via its counter service, phone, email, regular mail, and Live Chat (online assistance through the Hawaii Business Express website).
- The BAC offices provided personal assistance to customers filing nearly 8,000 paper documents at its counters.
- A pilot program running from October 2015 through February 2016 will bring BAC services to the West Hawaii Civic Center once per month.
- On Oahu, the BAC continues to host sessions where customers can receive free expert assistance. Participating organizations include volunteer attorneys from the Hawaii State Bar Association's (HSBA) Business Law Section; and representatives from the federal Small Business Administration who explain financing options with customers. The BAC also facilitated three counseling sessions this year with business counselors from the small business assistance nonprofit, SCORE.
- Through outreach efforts at 25 events, the BAC reached over 1,000 members of the public who received information on BAC services as well as educational instruction on forming and registering their businesses, how to properly maintain those registrations, and other obligations such as general excise tax return filings. Outreach efforts were focused on rural areas including Waianae and Ewa Beach/Kapolei, and the BAC participated in the first Kauai County Small Business Fair in October 2014, as well as the Food Tech Industry Fair in Pukalani, Maui. Other groups such as veterans, military personnel, and young entrepreneurs were also a focus of this FY's outreach efforts.
- The BAC continues to participate in the organization of the twice-per-year Hawaii Small Business Fair (August 2014 and February 2015), which offers more than 24 free classes on various topics of interest to new entrepreneurs. Partners included the Department of Business, Economic Development & Tourism, the Small Business Development Center of Hawaii, The Patsy Mink Center for Business & Leadership, Honolulu Community College, Leeward Community College,

and the Internal Revenue Service. The Fairs each draw between 200-250 entrepreneurs in various stages of business formation.

Securities Enforcement Branch

- In addition to supporting investor education, the SEB attorneys and investigators presented to new audiences including:
 - The Business Law Section of the HSBA that includes attorneys who advise investors and issuers,
 - Hawaii accountants who may become aware of anomalies in their clients' investment portfolios
 - Financial advisers who may know the SEB as their regulators, but will now see the SEB as a partner in pursuing fraud and bad actors who harm their industry, and
 - Certified fraud examiners who already fight financial fraud in their work in Hawaii.
- In FY2015, staff emphasized cooperation with criminal agencies by pursuing more parallel investigations into securities fraud cases. These partnerships, particularly with the FBI, have allowed the SEB to share its special skills in data collection and analysis with criminal oversight agencies. Wrongdoers face prison time, and cases can be executed more efficiently by the SEB by consent order. Other government agencies the SEB has worked in conjunction with include the U.S. Securities and Exchange Commission (SEC), the U.S. Commodity Futures Trading Commission (CFTC), the Office of Consumer Protection and the Insurance Division in DCCA, the Honolulu Police Department's White Collar Crime Unit, the Hawaii Department of the Attorney General, the U.S. Bankruptcy Trustee, and other federal and state securities and law enforcement agencies.
- The SEB has emphasized internal training and cross-training for professional and support staff through presentations given by fellow experienced BREG staff. Topics covered thus far include: an overview of the securities industry, the philosophy of securities regulation, updates on securities law, and how to run a complete investigation. These presentations also afforded attendees the opportunity to share their own experiences and tips for effectively and efficiently getting the work done.

Securities Compliance Branch

- The SCB currently regulates approximately 103,000 securities agents, and 1,300 broker-dealer firms registered to sell securities. In addition, the SCB has 65 state registered investment advisory firms, approximately 1,000 federally covered investment advisers, and an estimated 2,000 registered investment adviser representatives on record. The SCB also processed an estimated 1,100 franchise disclosure document filings, conducted 24 exams and received approximately 400 federal Regulation D notice filings for the private placement of securities and approximately 9,300 initial and renewal mutual fund notice filings in FY15.
- Staff continues to efficiently process the volume of applications and renewals received each year. Examinations of broker-dealers and investment advisers throughout the state are conducted on a continuing basis to provide onsite review of compliance with state securities laws.
- The SCB continues its comprehensive training program for professional development of its securities examiners staff with an additional emphasis on the new requirements included in the JOBS Act.

Investor Education Program

- The IEP continues to expand outreach to audiences through various community events across the state. Over 70 investor protection presentations were completed in FY2015, and the IEP participated in over 80 community events statewide, through which an estimated 48,000 consumers in Hawaii were reached.
- In FY2015, the IEP completed 55 senior presentations and participated in 19 senior-focused community events.
- The IEP continues to maintain federal partnerships with the CFTC, SEC, Financial Industry Regulatory Authority (FINRA), and the Consumer Financial Protection Bureau to educate Hawaii residents on investor protection. In May 2015, the IEP created a panel of experts including representatives from the CFTC, Hawaii Better Business Bureau, and local AARP offices to speak to Kupuna, caregivers, and working adult groups. The panel reached approximately 750 seniors in two days.
- The IEP continues its local outreach partnerships with the Community and Crime Prevention Branch of the Department of the Attorney General's Crime Prevention and Justice Assistance Division, the Senior Medicare Patrol (SMP) Hawaii program within the Department of Health's Executive Office on Aging, and the Kupuna Alert Partners (KAP) program of the Department of Public Safety's Narcotics Enforcement Division. KAP provides presentations to Kupuna groups on Medicare fraud, securities fraud, and prescription drug misuse. Another partnership is the "Is this for Real" campaign led by the Hawaii Bankers Association. This campaign brings together state, county, private, and nonprofit organizations and focuses on raising awareness of financial fraud and scams targeting our Kupuna.
- The IEP continues to create new materials to protect Hawaii investors. The second edition of Hawaii's Fraud Prevention and Resource Guide was completed this year. The revision of the guide, which covers popular scams in Hawaii, prevention tips, and helpful resources, was coordinated, developed, and designed by the IEP in partnership with the Department of the Attorney General, and the Department of Health.
- The IEP completed a special media campaign with KITV4, which consisted of two television commercials and an online digital campaign geared towards Kupuna and was focused on the investor protection topics of variable annuities, Ponzi schemes, and affinity fraud.
- The IEP continues to be the state coordinator for LifeSmarts, a national educational program that helps youth develop consumer and life skills. In the IEP's second year as the state coordinator, the state champion high school team (Iolani High School) competed in the national LifeSmarts competition in Seattle, WA. The team placed third in the nation, which is the highest a Hawaii team has placed since the program was brought to the state 11 years ago. This free, competition-based program is brought to Hawaii in partnership with the National Consumer League and Hawaii Credit Union League. This year, the IEP partnered with the Hawaii State Teachers Association, credit unions, labor unions, and others to provide prizes to participants at the state competition.
- The IEP continues its partnership with the Hawaii Council on Economic Education to support financial literacy and investor education for students via the Stock Market Simulation (SMS) program. The SMS program is an interactive, educational tool that trains teachers on how capital markets work and how to make wise investment decisions. The teachers are then expected to pass on the knowledge to their students who participate in the SMS. The program has reached nearly 1,200 teachers and 49,000 students.
- The IEP continues to increase its social media efforts on Twitter, Facebook, and Instagram.

CRF Financial Summary

The CRF financial summary relating to BREG for FY2015 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$4,694,773	\$1,000,807	\$5,695,580	\$6,314,503

CONCLUSION

BREG 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 BREG’s business registry, BAC, securities law enforcement, securities registration and investor education outreach functions. BREG also continues to investigate and take legal action on securities fraud in the state. The demand for all parts of BREG’s various services has necessitated improved information systems to handle the workload, more sophisticated online support, increased training to improve the quality of regulatory oversight, and constant attention and commitment to the changing, increasingly complex needs for service. In addition, BREG 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

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OVERVIEW

The Cable Television Division (CATV) supports the Director in the issuance of cable franchises and the regulation of cable operators, and in the facilitation of expanded access and usage of broadband services throughout the State.

CATV's primary regulatory function is to determine whether the issuance, renewal, or transfer of a cable franchise is in the public interest. In so doing, CATV carefully considers the public need for the proposed service; the legal, technical, financial, and operational ability of the applicant/franchisee to provide safe, adequate and reliable service at a reasonable cost to the subscribers; the comments arising from public hearing and from the Cable Advisory Committee (CAC) appointed by the Governor pursuant to Chapter 440G, HRS; and other matters deemed appropriate under the circumstances.

After the issuance, renewal, or transfer of a franchise, CATV's role in protecting the public interest continues through the duration of the franchise. CATV acts to monitor and 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. This includes monitoring the franchisee to ensure that the cable operating system is reliable and responsive to the public. Such reliability and responsiveness to the public 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, or governmental (PEG) access; and the interconnection of public facilities.

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 CATV'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. CATV continues to encourage cable 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.

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 tremendous growth in the State's telecommunications, information processing, storage, and retrieval needs require high transmission capacity with a more flexible network configuration. The INET is a substantial benefit of the cable television franchises that includes network capacity, connecting state and county government and State education facilities, and INET service connections "free of charge" and "at cost," all of which is primarily maintained and repaired at no cost to

state and county government. DCCA/CATV negotiates these INET benefits and administratively manages the INET while the other INET Partners² manage and operate the State's telecommunications networks.

In the issuance of a cable franchise, CATV also requires that cable operators support PEG access facilities. Support may be provided in various ways including a set aside of a number of channels for PEG access and through provision of 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 Hawaii's four counties. CATV supports the Director in the designation of these PEG access organizations. Designation is based upon written application or proposal and after public hearing, taking into consideration the public need for the proposed service; the legal, technical, financial, and operational ability of the applicant to provide the proposed service in an efficient and effective manner that is fair to the public in the service area; the comments arising from public hearing and from the CAC; and other matters deemed appropriate under the circumstances.

CATV is cognizant of the increasing importance of the ancillary services that are provided through cable television service to the people of Hawaii, including informational and educational programming, high speed Internet access, and other emerging data services. As the infrastructure to support cable television services improves and extends to more areas across the State, more residents can gain access to broadband and the many opportunities and advantages it offers in areas such as health care, education, job resources, consumer welfare, entrepreneurship, civic engagement, and others. CATV therefore recognizes that the extension of cable service to all communities within franchise service areas and the strengthening of cable television systems infrastructure is a high priority to provide access to these services and resources.

In 2010, the Legislature passed Act 199, SLH 2010 (Act 199), which charged DCCA/CATV with broadband-related duties that include supporting public and private efforts to facilitate deployment of, and access to, competitively priced broadband and internet access services; facilitating broadband application development to bolster usage and demand for broadband level communications; and facilitating implementation of recommendations of the Hawaii Broadband Task Force. Pursuant to Act 199, DCCA/CATV convened the Broadband Assistance Advisory Council (BAAC) and continues to utilize the expertise of the BAAC and its working groups in DCCA's broadband activities to increase broadband adoption and to expedite and expand access to competitively priced broadband services.

CATV's broadband-related duties have included assisting with legislation related to expediting and increasing broadband adoption and deployment; working with other state and county government agencies, the Legislature, service providers and other stakeholders to address issues related to the advancement of broadband; planning efforts to facilitate broadband infrastructure development for unserved and underserved communities; working on partnerships with other public and private agencies to expand and expedite broadband deployment and adoption; and participating in Federal Communications Commission (FCC) proceedings related to reforms affecting potential funding for telecommunications and broadband for the State. In 2012, Chapter 440J, HRS, was enacted. Under this statute, DCCA/CATV receives confidential annual reports from cable operators, telecommunication carriers, and telecommunication common carriers regarding broadband service availability and pricing to support its broadband expansion duties.

² The INET Partners consist of the following state agencies: (1) Department of Accounting and General Services through its Information and Communication Services Division (ICSD); (2) University of Hawaii (UH); (3) Department of Education; and (4) DCCA/CATV (collectively the "INET Partners").

Composition

The CATV staff currently consists of an administrator, a staff attorney, four program specialists (one cable television specialist and three broadband specialists), and a secretary. The CATV office is located on the first floor of the King Kalākaua Building at 335 Merchant Street, Room 101. Contact and website information is as follows:

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Honolulu, HI 96809
Telephone: 586-2620
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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 CAC 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 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 and equivalent enhanced services for the State
 - 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
 - Ensure that DirecTV and Dish Network comply with the FCC's order regarding service to Hawaii
- 3) Utilize DCCA regulatory function to strengthen the INET and provide benefits for state and counties
 - Require cable operators to invest in infrastructure as part of a cable franchise award to provide capacity and connections for public, educational and government facilities to expand and strengthen the INET.
 - Provide efficient management of the INET to best utilize negotiated INET benefits for the benefit of state and county government and educational facilities.
- 4) Bridge the broadband availability gap by advancing broadband infrastructure deployment and supporting a competitive marketplace

- Work with federal, state, and county agencies; broadband providers; and other stakeholders to identify policies and programs to facilitate deployment of broadband infrastructure and expand access to broadband services
 - Identify and pursue methods of funding to extend broadband infrastructure to service unserved and underserved areas of the State
 - Work with the BAAC to identify means to streamline government permitting and approval processes
 - Monitor development and deployment of new advanced services
- 5) Support and facilitate broadband adoption initiatives and programs to drive use of high speed broadband
- Support and facilitate 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
 - Work with the BAAC to identify programs and policies to advance broadband adoption and use of applications

ACCOMPLISHMENTS

Institutional Network – DCCA/CATV continued its leadership role in the development, expansion, and enhancement of the INET. Working with the INET Partners, DCCA/CATV continued its role under the existing cable television franchises in the upgrade and expansion of the INET, administration of the INET on-island and interisland network, and deployment of broadband infrastructure for education and government applications. As the INET partner providing the non-technical administration of the INET interisland network, DCCA/CATV continued during FY2015 to meet with the Partners through their technical team members to develop a master plan for statewide infrastructure development. In addition, DCCA/CATV continued to develop an online system that coordinates and tracks the “at cost” and “free of charge” INET requests and connections for state and county government. The IROC (INET Request Online Coordination) system is targeted to be available for use in FY2016.

As of June 30, 2015, Oceanic Time Warner Cable LLC (Oceanic), the cable television provider that operates throughout the State, held approximately \$6.8 million 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 collected from Oahu cable television subscribers. CATV continues to seek input and to identify activities that may best leverage these funds and INET connections to advance broadband access and availability across the State. With the input from government and private stakeholders, CATV is working towards the development of a comprehensive plan and program for these funds that can facilitate access to high speed Internet services for those areas across the State that lack adequate access. Because the current balance of these funds is insufficient to address all of the needs in the unserved and underserved areas of the State, CATV believes that planning is crucial to best utilizing these funds to expand access for residents across the State.

Comcast/Time Warner Cable Proposed Merger Transaction Review – On April 11, 2014, Time Warner Cable Inc. (TWC), the parent company of Oceanic, and Comcast Corporation (Comcast) submitted a the FCC's Application for Franchise Authority Consent to Assignment or Transfer of Control of Cable

Television Franchise (Form 394) with DCCA/CATV. On May 23, 2014, TWC and Comcast, (Comcast/TWC) filed their State Transfer Application with DCCA/CATV, requesting approval of the proposed indirect transfer of control of all of Oceanic's cable franchises in the State from TWC to Comcast pursuant to a February 12, 2014 "Agreement and Plan of Merger" that was entered into by TWC and Comcast (Comcast/TWC Proposed Merger). Among other things, Comcast/TWC represented that the proposed merger transaction would generate substantial public interest benefits for Oceanic's customers in Hawaii. During FY2014 and FY2015, DCCA/CATV reviewed the Form 394 and State Transfer Application; conducted public hearings statewide in each franchise service area; received written or verbal comments, views, and/or arguments from Oceanic's customers, interested persons, and the general public regarding the proposed merger transaction; issued two sets of information requests to the applicants; and held numerous discussions with the applicants regarding the Comcast/TWC Proposed Merger.

Federal regulations require local franchising authorities (LFAs), such as DCCA/CATV, to act within 120 days of the submission of the FCC's Form 394, various exhibits, and any additional information required by the terms of the franchise agreement and state laws. If an LFA fails to act within that prescribed time, the transfer is deemed approved. With agreements to extend the deadline, DCCA/CATV issued Decision and Order No. 362, on October 8, 2014, conditionally approving the Comcast/TWC Proposed Merger.

On April 24, 2015, Comcast terminated its merger agreement with TWC and withdrew its pending application with the FCC. On April 29, 2015, the FCC issued an order dismissing the Comcast/TWC Proposed Merger application. By letter issued on May 12, 2015, to applicants, DCCA acknowledged the termination of the Comcast/TWC Proposed Merger transaction, and ended and closed that proceeding. Pursuant to Decision and Order No. 362, given that the Comcast/TWC Proposed Merger failed to close Decision and Order No. 362 was automatically rescinded, and deemed to be null and void; and all prior decisions and orders issued to Oceanic and its predecessor-in-interest continued to remain in full force and effect.

Charter/Time Warner Cable Proposed Merger Transaction Review – On July 15, 2015, Oceanic's parent company, TWC, and Charter Communications, Inc. (Charter) submitted their joint State Transfer Application with DCCA/CATV requesting approval to transfer control of all of Oceanic's cable franchises in the State from TWC to Charter (Charter/TWC Proposed Merger). The FCC Form 394 was attached and made part of the State Transfer Application. According to the applicants, TWC and Charter (Charter/TWC), their proposed merger transaction will result in new jobs and investments, a faster Internet experience at a better value, and increased innovation and quicker rollout of advance technologies, among other public benefits. Charter/TWC also represent that they are committed to, among other things: (1) protection of a "free and open Internet"; (2) investment in infrastructure and customer service; and (3) a broadband program for low-income consumers. Since the submittal of the application, DCCA/CATV has reviewed the filed documents; conducted nine public hearings statewide that collectively covered each franchise service area³; received written or verbal comments, views, and/or arguments from Oceanic's customers, interested persons, and the general public regarding the transaction; issued two sets of information requests to the applicants; and held discussions with the applicants regarding the Charter/TWC Proposed Merger. As with the Comcast/TWC proceeding, DCCA/CATV is required to act upon the State Transfer Application filed by Charter/TWC within 120 days of the submission, and failure to act would mean that the Charter/TWC Proposed Merger is approved.

³ In particular, DCCA/CATV held public hearings in Hilo and Kailua-Kona on Hawaii Island; Lanai City on Lanai; Kaunakakai on Molokai; Lahaina, Wailuku, and Hana on Maui; Honolulu on Oahu; and Lihue on Kauai.

On December 17, 2015, DCCA/CATV issued Decision & Order No. 366 (Decision & Order) conditionally approving the Charter/TWC Proposed Merger transaction. While the initial deadline to issue the Decision & Order was November 12, 2015, Charter/TWC and DCCA/CATV mutually agreed to extend the deadline a few times. The final extension was from December 2, 2015 to December 17, 2015. In the Decision & Order, DCCA/CATV requires Charter/Oceanic to, among other things:

- Adhere to all terms, requirements, conditions, and obligations of the current Cable Franchise Decisions & Orders, and any other orders and directives issued by the Director, including obligations related to system upgrades; institutional network connections; franchise fees; PEG access; Hawaii Public Television Foundation; and all other existing cable franchise obligations.
- Provide a broadband service for low-income consumers in Hawaii (providing families with children participating in the National School Lunch Program and seniors, age 65 and older who are eligible and receive federal Supplemental Security Income benefits, with broadband service initially for \$14.99/month, at speeds up to 30 Megabits per second (Mbps) download, and 4 Mbps upload) within three years of the close of the merger transaction.
- Invest \$10,000,000.00 to build out its networks in Hawaii; and build out 1,000 new line extensions of its networks to homes in its Hawaii cable franchise areas within three years of the close of the merger transaction.
- Provide 1,000 new public WiFi access points within three years of the close of the merger transaction, a 100 of these new access points to be deployed at public parks, civic and community centers, and other public open areas and gathering places at the direction of DCCA/CATV.
- Obtain a \$1,000,000.00 performance bond payable to DCCA on, among other matters, a determination that Charter/Oceanic failed to comply with the build out requirements or the WiFi obligations of the Decision & Order.
- Within thirty months after the close of the merger transaction, transition virtually all of Oceanic's cable systems to all-digital networks and, upon the conversion, Charter/Oceanic shall provide, among other things, subscribers two digital transport adaptors or "basic boxes" free of charge for a period of two years and make them available at Oceanic's customer service centers and delivery by mail (including pre-paid return service).
- Promote and make available energy efficient set-top boxes (within three years of close of merger transaction, at least 90% of newly deployed boxes shall meet energy star requirements), and Charter/Oceanic is encouraged to: (1) partner with community organizations to educate and promote the use energy efficient set-top boxes; and (2) develop an economically feasible program to trade out old boxes with efficient ones.

Beside the conditions noted above, DCCA/CATV's approval is subject to various other terms and conditions including approval of the Charter/TWC Proposed Merger by the FCC and the Department of

Justice, and other federal agencies, and adherence to all conditions imposed at the federal level. The FCC's review of the Charter/TWC Proposed Merger is still on-going.

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. DCCA/CATV along with its consultant held numerous meetings with various stakeholders and groups seeking comments on the renewal of this franchise. In addition, DCCA/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. DCCA/CATV and Oceanic are presently negotiating a new franchise agreement, and DCCA/CATV expects this process to conclude by the first quarter of 2016.

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, DCCA/CATV conducted an initial round of discovery and ascertainment meetings across Maui County; held four public meetings in Kaunakakai, Lanai City, Lahaina, and Kahului to receive public comment on Oceanic's application; conducted numerous discussions in and about Hana regarding service reliability and customer service issues; and reviewed the application and public comments. DCCA/CATV intends to begin negotiations with Oceanic and to complete the franchise renewal process sometime during the second half of FY2016.

Oceanic Time Warner Cable – Kauai Franchise Renewal – On April 24, 2014, Oceanic submitted a letter to notify DCCA/CATV of its intent to seek renewal of its Kauai cable television franchise. Oceanic's current cable television franchise for the island of Kauai expires on December 31, 2016. Upon receipt of the letter, DCCA/CATV began planning and developing the Community Ascertainment and Related Activities Report for the Kauai cable franchise. As part of this process, DCCA/CATV held two community meetings on Kauai (Waimea on August 26, 2015 and Lihue on August 28, 2015) and continue to meet with community leaders and public sector representatives to obtain input and comments regarding services provided by Oceanic and feedback regard the services provided by Ho'ike: Kauai Community Television (Ho'ike), the Kauai Island PEG. In addition, through consultants hired by DCCA/CATV, technical, engineering, franchise compliance, and financial reviews of Oceanic have been or are being conducted. The Community Ascertainment and Related Activities Report is expected to be filed during the third or fourth quarter of FY2016, and Oceanic is expected to submit its application for renewal of its Kauai cable television franchise a few months thereafter.

Franchise Fee Reviews – CATV contracted with a certified public accounting firm to conduct annual reviews of the franchise fee payment process in each of the different franchise areas. CATV continues these annual reviews to ensure that the franchise fee collection process is being conducted accurately.

Federal Legislation and FCC Rulemaking – CATV continued to monitor developments in Congress and at the FCC related to telecommunications, cable television, and broadband. CATV continues to meet and work with Hawaii's congressional delegation to support efforts to obtain funding for broadband for the State.

Designation of PEG Organizations to Provide PEG Services – DCCA/CATV is responsible for reviewing the applications and negotiations required for the PEG access organization designation process.

Since Act 19, SLH 2011, was signed into law, all four existing PEG access organizations, `Ōlelo Community Media on Oahu; Nā Leo `O Hawaii Community Television on Hawaii Island; Ho`ike on Kauai; and Akaku: Maui Community Television on Maui, Molokai, and Lanai, have filed applications for designation as the PEG access provider in their respective service areas.

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 January 2015 for the following projects: (1) Broadband Data Collection and Mapping; (2) Broadband Planning; (3) Broadband Capacity Building; and (4) Technical Assistance. Activities under this grant included data collection (through sub-recipient UH) to develop and maintain Hawaii’s broadband map to identify available broadband services throughout the State; development of a State Strategic Plan 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 use of broadband services.

Although this grant ended in January 2015, DCCA/CATV continued to advance activities initiated under the grant. For example, DCCA/CATV continued in FY2015 to: (1) partner with the FCC to expand an existing FCC program, Measuring Broadband America, to gather data about subscriber broadband service performance across the State; (2) monitor and support a project to close the fiber optic network gap on Hawaii Island for which DCCA/CATV had convened a stakeholder group, consisting of the County of Hawaii, the U.S. National Park Service, public utilities, and broadband and cable providers; (3) work towards the establishment of a broadband utilities and project coordinator position to expedite the deployment of broadband infrastructure; (4) advance a community broadband assessment project to incent and support broadband infrastructure investment; (5) expand a broadband digital literacy webpage; and (6) maintain contact with stakeholders to identify possible opportunities to partner on projects to extend broadband access and increase broadband adoption.

Broadband Assistance Advisory Council – DCCA/CATV convened the BAAC for a presentation of the City and County of Honolulu Broadband Plan and to obtain input and assistance with the creation of a Broadband Assessment to respond to requests made by House Concurrent Resolution No. 189, H.D. 1, S.D. 1, adopted during the 2015 legislative session.

CRF Financial Summary

The CRF financial summary relating to CATV for FY2015 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$802,715	\$759,060	\$1,561,775	\$2,772,685

CONCLUSION

This year has been a very active one for CATV because of the applications submitted for transfer of cable television franchises across the State (i.e., Comcast's proposed acquisition of TWC; Charter's proposed acquisition of TWC); the multiple cable franchise renewals at issue across the State; the activity surrounding the designation of all four PEG access organizations; the rapid development of telecommunications technology and its implications to the provision of cable television and Internet and other related services; the many federal cable and telecommunications regulations and programs undergoing reform; the changing dynamics related to content distribution and the resulting impact to subscriber services; the close out of the Department's ARRA grant; and the many other broadband-related DCCA/CATV activities. 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 access to reasonably priced broadband services to residents statewide.

DIVISION OF CONSUMER ADVOCACY (DCA)

website: www.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 PUC and the FCC. 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, 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. Based upon analyses of the information, DCA files either written statements of position or testimonies explaining its analyses, findings, and recommendations with the PUC. The PUC does require oral testimonies by DCA analysts, subject to utility company cross-examination, in contested case evidentiary hearings to resolve differences among the parties in utility proceedings.

Composition

DCA consists of 17 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. 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 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 division's library.

GOALS and OBJECTIVES

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 DCA's goals and how DCA will reach them, the goals will be described separately.

Consumer Advocacy

Goal

Ensuring that Hawaii's consumers receive reasonable and just rates for safe and reliable services, while ensuring customer and environmental protections and renewable resource use, is DCA's primary goal. This goal generally involves balancing various competing interests.

Planned Approach/Methods

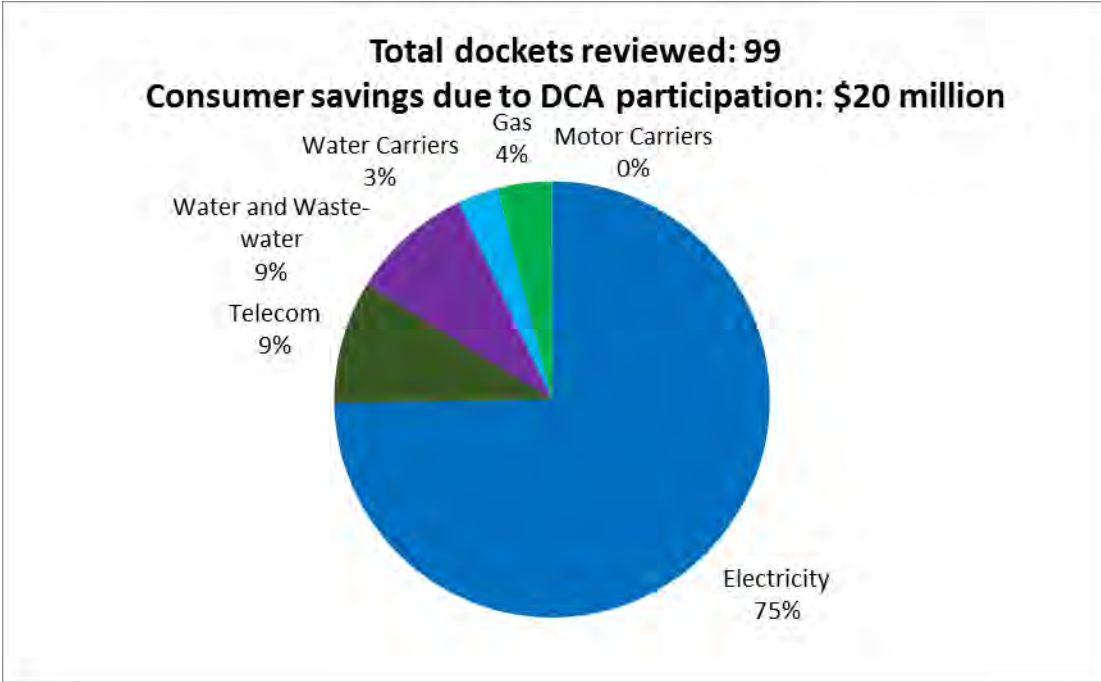
DCA's resources are focused on PUC proceedings, which often affect the rates and the reliability of utility and transportation systems and services. DCA's participation in PUC proceedings will typically involve some or all of the following:

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, and appeals, etc., as necessary.

Measures

To measure DCA's performance in advocating consumer interests, DCA tracks various categories of information. DCA monitors consumer savings resulting from 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 in which DCA participates, and the number of filings before the PUC reviewed by DCA. Chart 1 describes the total number of dockets DCA reviewed, the proportion of dockets reviewed by area, and the total consumer savings due to DCA participation.

Chart 1. Dockets Reviewed By Area and Overall Consumer Savings, FY2015

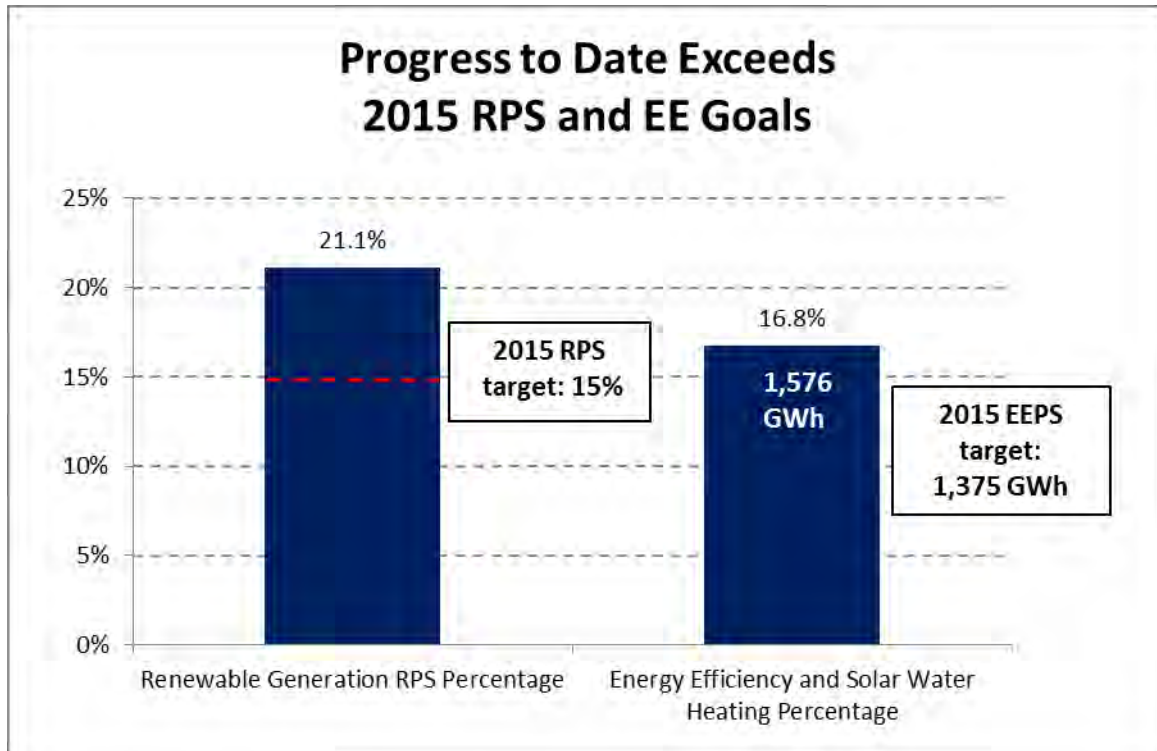


Policy Advancement

Goal

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 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 clean renewable energy. As shown in Chart 2, Hawaii is currently exceeding its 2015 Renewable Portfolio Standard (RPS) and Energy Efficiency Portfolio Standard (EEPS) goals.

Chart 2. Hawaii's Progress to Date Exceeds 2015 RPS and EEPS Goals.



Data for calendar year 2014.

Planned Approach/Methods

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

- After 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;
- DCA then provides PUC with a recommendation that it believes is in the best interest of consumers; and
- DCA participates in evidentiary or panel hearings conducted by PUC. DCA presents its evidence by way of expert testimony on specific technical issues.

DCA monitors congressional activity in the energy and telecommunications areas. DCA maintains contact with Hawaii's Congressional delegation, particularly those members sitting on committees that deal with energy and telecommunications, and provides input where appropriate and when called upon.

DCA is actively involved in the National Association of State Utility Consumer Advocates (NASUCA). NASUCA participates in proceedings before the FCC, Congress, and the federal courts in advancing consumer interests on national issues, many of which affect Hawaii consumers.

DCA is actively involved with Hawaii's Legislature and provides testimonies that detail consumer benefits or detriments of specific legislative proposals being considered. In the 2015 legislative session, DCA monitored and/or testified on 60 bills and submitted written testimony on 45 occasions.

Measures

Measuring the performance of DCA's efforts to promote policy objectives is inexact. While 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.

Education & Outreach

Goal

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 DCA aims to gather consumer input on utility issues and to encourage consumers to be more involved in utility proceedings. DCA attends public meetings and hearings to learn of consumer complaints and concerns.

Planned Approach/Methods

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. DCA established the following action plan to accomplish its goals and objectives:

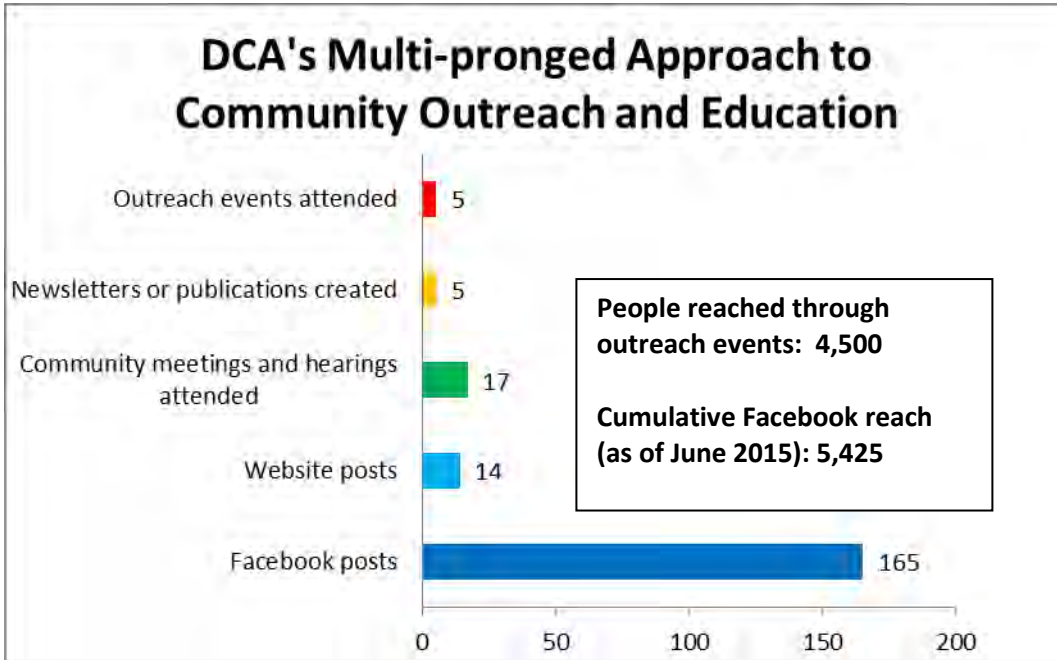
1. Update and improve its website with consumer-friendly and useful content;
2. Use social media, such as Facebook, to reach a greater number of consumers;
3. Attend public hearings and meetings to listen to consumer complaints and concerns;
4. Establish information booths and provide presentations at community events, such as home shows and public fairs throughout the state and build positive relationships with both business and individual community members;
5. Improve communications with consumers and the public through expanded distribution and publication of its newsletter; and
6. Hold informational seminars or use public service announcements to highlight different utility issues and topics.

Measures

To measure DCA's performance and progress of its education and outreach activities, it tracks the number of people reached through education and outreach events, newsletters and other publications

distributed, and consumers assisted with complaints and other issues. Chart 3 illustrates various ways DCA engaged in community outreach and education in FY2015.

Chart 3. DCA’s Multi-pronged Approach to Community Outreach and Education



ACCOMPLISHMENTS

Results of DCA’s efforts to protect and advance the interests of consumers in FY2015 are summarized below for some of the more significant matters in which DCA was involved:

Advocacy before the Public Utilities Commission

Energy Dockets

Competitive Waiver Projects

The Competitive Bidding Framework adopted in PUC Order No. 23121, filed on December 8, 2006, establishes guidelines governing the competitive process for utilities to acquire or build new energy generation in Hawaii. The PUC may waive this process if, for example, it can be shown that more cost effective resources would likely be acquired more efficiently through an alternate procurement process. DCA invested significant resources to review eight applications by Hawaiian Electric Company, Inc. (HECO) for waivers involving renewable energy projects whose proposed levelized prices fell significantly (less than 16 cents per kilowatt-hour (kWh)) below the price range of other recently approved renewable energy projects on Oahu (21.8 to 23.6 cents/kWh).

In the various dockets evaluating these waiver projects, the Consumer Advocate pointed out not all waiver projects should be approved since different prices and other characteristics affect the determination of whether a specific proposed waiver project was reasonable. The PUC approved four of the projects totaling approximately 137 MW of new renewable energy capacity at pricing that ranged from 13.475 cents/kWh to 14.5 cents/kWh. The Consumer Advocate will seek to ensure that future prices reflect the general market rate so that consumers are not burdened with pricing that is unreasonably high.

HECO Decoupling Investigation

The investigation of HECO's decoupling mechanism was divided into two separate proceedings – Schedule A and B. Schedule A went to an evidentiary hearing in January of 2014, and the Schedule B hearings were held in October of 2014. Schedule B issues involved much more complex issues, such as the possible modification of the Rate Adjustment Mechanism (RAM) that HECO uses to put into rate base its capital expenditures on an annual basis rather than having to await its next rate case in the traditional PUC-ordered three-year cycle.

The Consumer Advocate recommended a number of modifications to make the RAM more conservative to reduce some of the risks and costs transferred to consumers. In its Order No. 32735, filed on March 31, 2015, the PUC adopted many of the Consumer Advocates' recommended modifications, such as placing a limit, or cap, to the RAM recoveries to reduce the risk and level of recovery that can occur outside of rate proceedings.

On-Bill Financing

The On-Bill Financing Program (OBF) is intended to reduce the market barriers that prevent customers without sufficient resources or incentives (e.g., low to middle income customers and those in the rental market) from making efficient, cost-saving energy investments.

On June 3, 2014, the PUC opened Docket No. 2014-0129 to establish and implement OBF. On August 7, 2014, the PUC issued Order No. 32252 directing the parties, interveners, and participants in the docket to address whether the proposed Hawaii Energy Bill Saver Program (the PUC's proposed OBF structure) is just, reasonable, and consistent with the public interest. In addition, Docket Nos. 2014-0134 and 2014-0135 were opened as part of DBEDT's proposed Green Energy Market Securitization (GEMS) Program.

On October 1, 2014, the PUC issued Order No. 32318 approving DBEDT's GEMS Program Order request subject to certain modifications and oversight. The PUC adopted several of DCA's recommendations regarding the use of GEMS funds and the implementation of data collection and reporting procedures to evaluate program success. Additional measures are required to complete the work necessary to prepare the Hawaii Energy Bill Saver Program for consumer use.

Power Supply Improvement Plans (PSIPs)

The PUC required HECO, Hawaii Electric Light Company, Inc. (HELCO), and Maui Electric Company, Ltd. (MECO) (collectively the HECO Companies) to file respective PSIPs in order to facilitate

the review of long-term energy planning objectives. These PSIPs were incorporated into Docket No. 2014-0183. The review of these plans are ongoing.

The Investigation of Distributed Energy Resources (DER)

The PUC opened Docket No. 2014-0192 in August of 2014, to review the various issues related to distributed energy resources (e.g., photovoltaic (PV) rooftop systems, etc.) and what measures might be required to not only facilitate the continued adoption of these distributed energy resources, but to also insure that a sustainable market for those resources would exist while not adversely affecting other renewable energy markets or consumers. Due to the urgent need to review certain issues related to DER, the PUC set forth an accelerated timetable to be analyzed in Phase 1 of this proceeding, with other issues to be analyzed in Phase 2.

In Phase 1, the Consumer Advocate sought to highlight concerns that current market conditions and prices were leading to inefficient decisions that adversely affected the grid and those customers who would not be able to take advantage of rooftop PV systems, such as renters and multi-family residents. In Decision and Order No. 33258, the PUC closed the Net Energy Metering program for the HECO Companies, but created grid-supply and self-supply options to allow the continued adoption of rooftop PV systems. Furthermore, the PUC also required the HECO Companies to provide time-of-use tariffs. Phase 2 has yet to be initiated.

NextEra Energy / Hawaiian Electric merger

On December 3, 2014, it was announced that NextEra Energy (NEE) and the HECO Companies would merge and, as a result, NEE and the HECO Companies filed an application to seek PUC approval of the proposed transaction (Docket No. 2015-0022). Given the significance of this proposed transaction, a number of parties sought to become parties and the PUC allowed 29 intervenors, including, but not limited to, two state agencies in DBEDT and the Office of Planning, as well as county agencies, and a federal agency (the Department of Defense).

The PUC's schedule required a number of pre-filed documents from the Applicants (NEE and the HECO Companies) and the other parties. Extensive discovery was conducted as part of this proceeding to determine the reasonableness of the proposed transaction. In its testimonies, the Consumer Advocate pointed out that the proposed transaction did not clearly articulate how PUC approval would benefit consumers, debunked a number of the Applicants' claims, and recommended that, in the absence of clear commitments to deliver benefits to customers, the PUC should not approve the proposed transaction. As part of this recommendation, the Consumer Advocate identified a number of conditions that would support a finding that the proposed transaction would be in the public interest.

Evidentiary hearings were held in November through December of 2015, and continue into 2016.

Other industries

The Consumer Advocate also participated in various dockets involving regulated water, wastewater, telecommunications, utility gas, and transportation companies. These dockets included ongoing rate proceedings for water/wastewater utility companies, rate cases and the Annual Freight Rate Adjustment for Young Brothers, as well as eligible telecommunications carrier certification for various

telecommunications companies. The Consumer Advocate also worked on various dockets related to Hawaii Gas, including their developing plans to convert their supply gas from synthetic natural gas to imported liquefied natural gas.

Advocacy through Participation on Committees and Boards

Enhanced Wireless 911 (E911) Services

Act 168, SLH 2011 (Act 168), created an E911 Fund and established the E911 Board. Act 168 established the framework to implement the State's wireless E911 system to route emergency calls to emergency responders, along with the wireless callers' identification and location. Under Act 168, the E911 Board oversees the collection and distribution of money collected by the E911 Special Fund and designates the Executive Director of DCA as a member of the board. During FY2014, DCA was involved in the E911 Board's successful efforts to transition its daily operations from a consultant to two full-time employee positions. The E911 Board is in the process of recruiting for the positions of Executive Director and Assistant Executive Director.

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. 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, helps reduce the risk of critical services being disrupted by utility systems being inadvertently damaged due to excavation work conducted in areas where the systems are placed in underground facilities.

Energy Policy Forum

The Executive Director of DCA is a member of the Hawaii Energy Policy Forum (HEPF), which is a collaborative organization of UH. 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 FY2015, 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.

The Executive Director of DCA also participates in the HCEI Management 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 Management Committee is also working on HCEI 2.0. A new Memorandum of Understanding between the State and the U.S. DOE was executed in FY2015. Finally, the Management Committee voted to rescind a number of provisions in the original 2008 Energy Agreement that were determined to be no longer applicable.

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.

Education and Outreach

During the past year, DCA has continued to focus on expanding its education and outreach activities. This effort has allowed DCA to increase its ability to educate consumers and extend its reach into communities throughout the State. In addition to attending community fairs, DCA publishes its own newsletter and informational materials. Most notably, the DCA continues to focus on improving its web presence by keeping the online information relevant and informative.

Consumer Advocate launches Facebook page

DCA continues to use its Facebook page to reach consumers more quickly through social media. Through Facebook, DCA educates consumers by posting energy and water saving tips and notifies consumers of pertinent, utility-related online newspaper articles, blog posts, and radio and television programs. The Facebook page is also used to announce upcoming utility-related public hearings, consumer fairs, utility and green energy conferences, and media events. As of June 30, 2015, DCA's Facebook reach was 5,425.

CRF Financial Summary

The CRF financial summary relating to DCA for FY2015 as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$1,624,415	\$1,300,524	\$2,924,939	\$3,943,435

CONCLUSION

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, DCA is expanding its education and outreach efforts. These efforts place 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.

DIVISION OF FINANCIAL INSTITUTIONS (DFI)

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

twitter: @HawaiiDFI

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 is to ensure the safety and soundness of state-chartered and state-licensed financial institutions, and ensure regulatory compliance by state-licensed financial institutions, escrow depositories, money transmitters, mortgage servicers, mortgage loan originators (MLO) and mortgage loan originator companies (MLOC), 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.

DFI provides regulatory oversight for our state's financial service providers which includes both bank and nonbank industries. DFI provides 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, MLOs and MLOCs. 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 entered into a Memorandum of Understanding with the FDIC⁴ to conduct joint examinations for regulatory compliance. DFI has a Memorandum of Understanding with the FDIC and FRB to conduct joint examinations for safety and soundness.

DFI was first accredited by the Conference of State Bank Supervisors (CSBS) in 1990 and re-accredited in 1995, 2000, 2005 and 2012⁵. The CSBS accreditation program sets high standards for state banking regulators nationwide.

In 2Q FY2015, DFI was accredited by the CSBS/AARMR⁶ for mortgage supervision. The CSBS/AARMR accreditation program sets high standards for state mortgage regulators nationwide. The

⁴ The FRB does not have a similar agreement with states to conduct regulatory compliance examinations. DFI has been assisting FRB in these regulatory compliance examinations.

⁵ Hawaii did not seek reaccreditation in 2010. With the new commissioner appointed in 2011, updates made to banking supervision, regulation and examination practices, DFI received accreditation in 2012.

⁶ American Association of Residential Mortgage Regulators is a trade organization for mortgage regulators.

accreditation program includes the MLO, MLOC, and mortgage servicer programs. Hawaii was also recognized in having a robust regulatory scheme and oversight as well as a mature examination program.⁷

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 program).

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 institutions. Examinations, unlike accounting audits, are forward-looking and risk-based 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 (bank and nonbank), 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 Manager⁸ also assists the Deputy Commissioner⁹ 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 about the risks they take in using financial products. Regulation and appropriate enforcement, hand in hand with consumer education and awareness are the best defense in protecting consumers. DFI faces a number of challenges in the next few years including: the increasing risk of cybersecurity fueled by the innovative uses of technology, the impact of the economy on financial service

⁷ In 2009, the Hawaii SAFE Act was passed giving authority to DFI to supervise, regulate and examine mortgage loan originators and mortgage loan originator companies. In late 2010/early 2011, DFI began its supervision. In 2011-2012, DFI provided training to the industry. In 2013 DFI began its examination program.

⁸ DFI filled in 2Q FY2015.

⁹ DFI filled in 4Q FY2015 due to a retirement of a 29 year employee in 2Q FY2015.

providers and consumers; dealing with increased complexity in our financial institution companies and their 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 and objectives 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 Bankers 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 the rapidly changing landscape of the 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 and its concurrent impact of cybersecurity. Consequently, the orientation and training for 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 2014 and has been updating the plan annually. 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 DFI 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 continues to explore various technology to improve its efficiency, databases, and outreach to consumers and licensees.

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. Effective supervision. There are seven Hawaii state-chartered banks in Hawaii¹⁰, two out-of-state, state-chartered banks (CA and WA), two national banks, and one foreign bank. DFI directly supervises the seven Hawaii state chartered banks, oversees with its sister states the two out-of-state, state-chartered banks, and oversees the one foreign bank. As of 2Q FY2015, all state-chartered banks have shown increased earnings due in part to increased loan growth.
2. Use of technology for education. DFI used the technology of social media to provide free education to its licensees and consumers. DFI developed and maintains its website. DFI frequently updates its website with regulatory guidance or training videos and will eblast the industry affected. Using YouTube videos to provide education to licensees about regulatory compliance issues and reminders when they apply for licensure has increased compliance and leads to a quicker processing time to licensure. Twitter has been used to quickly alert followers to new developments or information about fraud, elder financial abuse, cybersecurity, disaster planning, updates to our website, and upcoming training opportunities.
3. Use of technology for applications. DFI is using NMLS to process applications for MLOs, MLOCs, mortgage servicers and money transmitters. This technology forces applicants to provide a response to each question before submitting an application to DFI for review. DFI communicates questions via a secure email channel to applicants for their response.
4. Use of technology for examination requests. DFI is using a secured email system to both send and receive examination request information from licensees. Licensees have reported that they like the convenience and ease to which we request information for examinations.
5. Licensing branch. The licensing branch is currently experiencing a 60-90 day backlog, an improvement from the historic 120-180 day backlog due to the use of technology and hiring of an examiner. Our existing financial institutions have not been delayed in their operations in opening or relocating branches to serve the public.
6. Field branch. DFI continues to take the lead as the regulatory agency for at least one bank examination and one visitation with the FDIC.
7. Business Continuity/Disaster Planning. The Commissioner continues to participate with financial institutions (all banks and credit unions) to improve communication and disaster planning.
8. 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 in the Western states. The meetings also include representatives of the FDIC, FRB, CFPB, and the Office of the

¹⁰ In 1Q 2015, one Hawaii state-chartered bank was acquired by a California bank.

Comptroller of the Currency. The Commissioner also serves on several CSBS committees including the regulatory compliance, supervision, technology, and legislation.

9. AARMR Board. The Commissioner served as a Director on the national AARMR Board. As a member of the annual conference committee, she successfully implemented changes to the delivery of education to regulators (state and federal) and the mortgage industry.

Efficiency:

The efficiency of the initial application and renewal process for MLO, MLOCs, mortgage servicers and money transmitters was improved through the use automation. This 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.

Mortgage Loan Recovery Fund:

The Mortgage Loan Recovery Fund (MLRF) 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 MLRF 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. DFI is awaiting instructions from the circuit court to distribute funds from the MLRF from several consumers who sought recovery for their damages sustained by the actions of a MLO and MLOC.

The current balance of the MLRF as of June 30, 2015 is \$1,400,000. Act 64, SLH 2015, authorized DFI to provide a finding to determine whether the MLRF has enough funds to pay out claims and adjust the collection of this item by the industry. No expenditures have been made so far; however, there are several cases in Hawaii circuit court. The maximum recovery against each licensee is \$100,000 which may be divided among the claimants as the court determines. In anticipation of a court order to compensate these claimants, DFI requested that the Legislature permanently raise the expenditure ceiling for the Recovery Fund to provide for \$200,000 in payments; however the ceiling was only raised for FY2015. If the courts order payments in excess of the expenditure ceiling in any fiscal year, a claimant would have to wait to receive their damages.

Staffing:

1. DFI was provided additional industries for which to provide supervisory oversight, however, the staff was not increased. The current staff of 34¹¹ allocated positions were originally provided to allow DFI to supervise banks and escrow depositories. Today, DFI supervises three additional industries which have increasingly complex business models and innovative use of technology with an additional staff of five positions.
2. DFI continues to recruit for two clerical civil service positions; one secretary and one office assistant. The secretary position became vacant in 2Q FY2015 after a 39 year employee retired.
3. DFI continues to recruit for examiners in the Field Examination Branch. DFI has filled eight of 12 examiner positions; however, three of the recently hired examiners do not have any

¹¹ The Legislature provided four licensing positions for the mortgage loan originator program.

regulatory examination experience. We are recruiting two civil service examiners¹² and two exempt examiners¹³. We established two exempt positions for mortgage examinations in 1Q FY15 which were filled in 4Q FY2015.

4. DFI continues to recruit for one licensing branch position. In 2015, we received five positions¹⁴; three for the mortgage program, one licensing branch position, and one licensing branch investigator.
5. Employee retention, especially in the professional examiner position has been challenging. Where it would take five years to send an examiner through all the appropriate training, DFI now recognizes it needs to complete the examiner training in three years to get two years of independent examinations from examiners. This means training costs have increased tremendously. In addition, the lack of experience and “bench strength” is a concern that may impact future supervision of our industries.

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. In 2013, the adjustment in fees for each type of institution was designed to provide the revenues from each industry to cover DFI’s costs of regulating and supervising that industry. Consequently, the implementation in 2014 of the new fee structure enabled DFI to hire needed staff.¹⁵



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 cyber security, consumer security and privacy, potential money laundering and fraud, and others.

¹² The recruitment link is on several websites including the DFI website. DFI hired four examiners using the website links on other national regulatory websites.

¹³ Recent vacancy 1Q FY2015 and 4Q FY2015.

¹⁴ Three of these positions were paid by the mortgage servicing settlement funds.

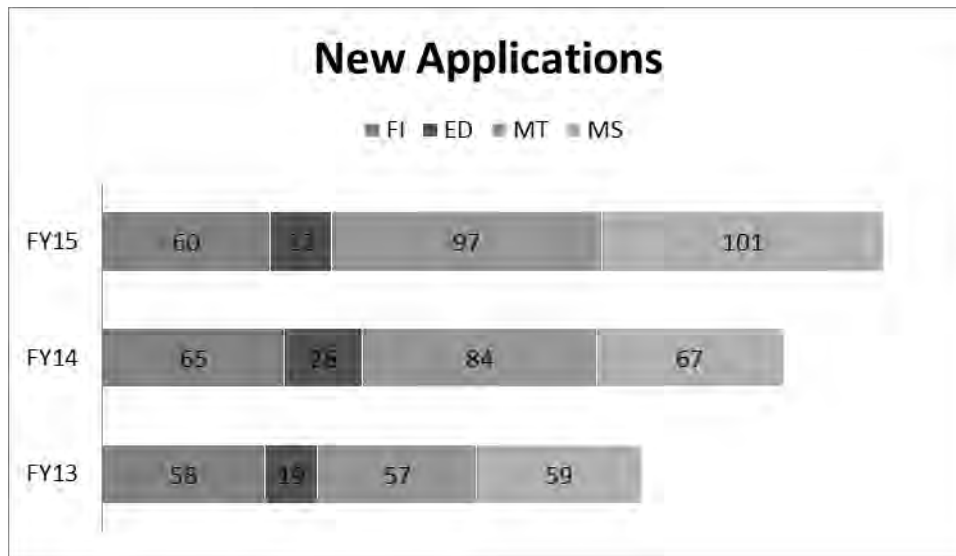
¹⁵ Acts 166, 167, 198, 92 and 172 (2013), relating to Escrow Depositories, Money Transmitters, Mortgage Loan Origination, Mortgage Servicers, and Financial Institutions, respectively.

DFI has implemented its examination program for MLOCs and mortgage servicers. With over 250 companies and servicers combined that need to be examined at least once every five years, DFI will add additional examiners to properly examine these companies. Currently DFI has two field examiners conducting the examinations. In order to examine all companies within the five-year examination cycle, DFI would need to conduct at least 50 examinations a year, in addition to conducting examinations for all other industries we supervise. DFI has teamed with other states to conduct multi-state examinations on the larger MLOCs and mortgage servicers. In addition, DFI has teamed with CFPB in examining very large MLOCs and mortgage servicers (licensed in 35 states or more).

DFI also needs to conduct an examination on new licensees approximately six months from the time they are first licensed to determine if they are complying with state and federal laws. In order to adequately perform these examinations, DFI needed and received two additional dedicated field examiners and one dedicated licensing examiner¹⁶.

New Applications:

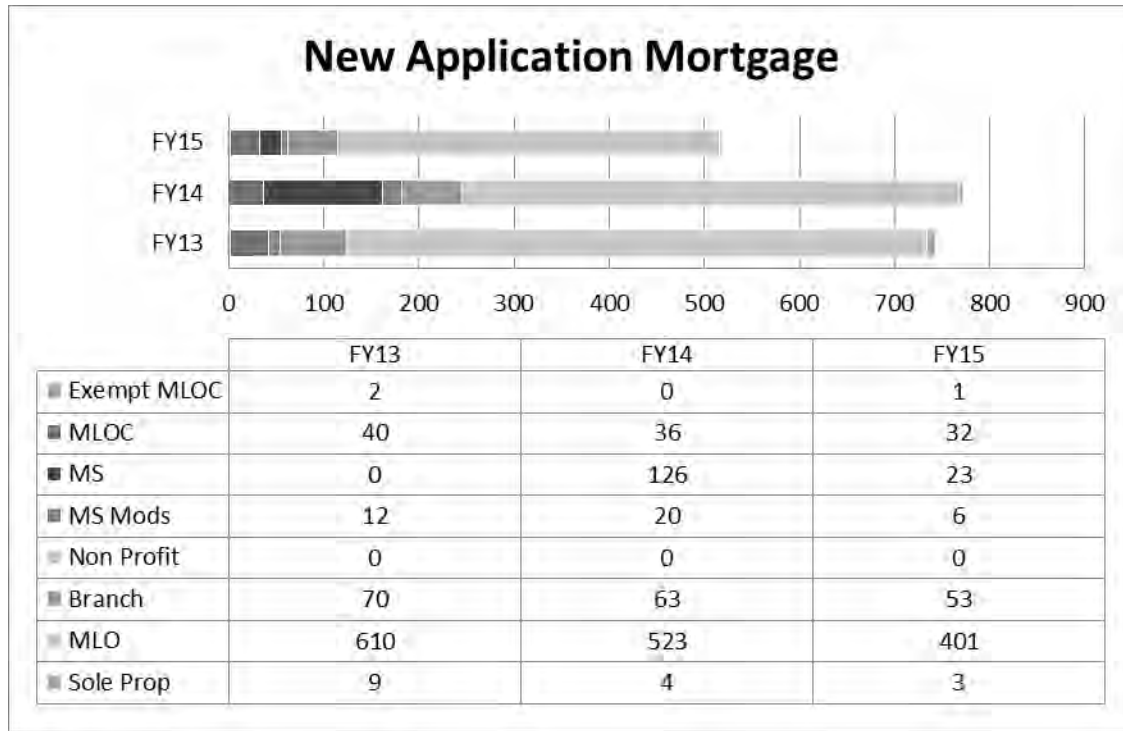
With existing staffing levels unchanged since 2010, the charts below show the number of new applications received for each industry, except the MLO/MLOC applications¹⁷. These applications were processed by the licensing staff. The processing of new applications includes a review of the financial condition and financial projection, expertise of the management or directors, and potential impact on consumers protection factors.



¹⁶ The licensing branch will be conducting the six month examinations.

¹⁷ This program has a dedicated staff of four employees.

Applications processed by the mortgage program staff are shown below. New license types were added throughout the years, therefore some years show “0”.



CRF Financial Summary

The CRF financial summary relating to DFI for FY2015 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$2,541,984	\$396,183	\$2,938,167	\$4,945,552

CONCLUSION

During FY2015, while DFI maintained its established regulatory, supervisory, and licensing programs and devoted considerable resources to implementing the new mortgage servicer and MLO examination programs, it was challenged by funding and staffing problems. DFI also increased its professional standards for its examiners and for the division when it received the mortgage supervision accreditation from CSBS/AARMR and entered into the Memorandum of Understanding with the FDIC for joint regulatory compliance examinations.

The continuing impact of the “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 FY2014 and FY2015.

Type of License	Licenses as of June 30, 2015	Licenses as of June 30, 2014
Adjuster	2,119	1,814
Captives	193	188
Certificate of Authority (Insurer)	1,009	1,020
Foreign Risk Retention Groups (Registered)	57	57
Fraternal Benefit Society	7	7
HMO (Health Maintenance Organizations)	3	3
Independent Bill Reviewer	31	31
Life Settlement Broker	21	15
Life Settlement Provider	18	14
Limited Lines Motor Vehicle Rental Company Producer	31	25
Limited Lines Portable	16	14
Limited Lines Producers	1,118	1,056
Managing General Agent	34	33
Mutual Benefit Society	6	6
Nonresident Producers	43,193	39,160
Producers	7,040	6,908
Purchasing Group (Registered)	261	262
Reinsurance Intermediary Broker	33	25
Service Contract Provider Registration	152	135
Surplus Lines Broker	1,671	1,473
Vehicle Protection Product Warrantor Registration	29	24
TOTAL:	57,042	52,270

ID administers chapters 431, 431K, 431L, 431M, 431P, 432, 432C, 432D, 432E, 435C, 435E, 448D, 481R, 481X, and 488, HRS, 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 ID and is assisted by the Chief Deputy Insurance Commissioner and the Branch Chiefs. The branches of 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 thirteen 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. With 194 active licenses as of December 31, 2014, Hawaii's captive insurance domicile is ranked 11th worldwide and 4th within the US for largest captive domiciles.

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

Compliance and Enforcement Branch. When a complaint is filed with ID, the Compliance and Enforcement Branch (C&E) conducts an investigation to assure compliance with the applicable statutes and rules. Appropriate disciplinary actions are recommended by C&E when violations are identified. In addition, C&E is responsible for processing administrative hearing requests, qualifying applicants to the Hawaii Joint Underwriting Plan Assigned Claims program, reviewing background information for applicants for producer's licenses to screen for criminal and administrative histories, assisting consumers 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. 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.

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. FS&E's functions also include licensing more than 1,000 domestic, foreign, and alien insurers; processing and collecting of more than \$153 million in 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 and Low Income Housing 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.

ID 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. FS&E recommends the adoption of legislation and

administrative rules to ensure that ID 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. HIB's primary responsibilities are to: receive inquiries and complaints pertaining to health insurance, including long-term care insurance; receive requests from consumers for external reviews of a health plan's coverage decisions under HRS Chapter 432E and administer the external review process; review premium rate filings and forms to ensure readability and the disclosure of required information; and coordinate with FS&E to conduct financial surveillance of health insurers. HIB is headed by the Program Administrator and has fifteen 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, IFIB's jurisdiction expanded to all lines of insurance, except workers' compensation, pursuant to Act 149, SLH 2009. 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 IFIB within 60 days.

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 the benefit of the staff's high level of expertise and ability to provide representation in this area.

Legal Branch. The Legal Branch advises the Commissioner, the Chief Deputy, the Branch Chiefs, and ID on all legal matters and serves as the interface between 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, and administrative rules; responding to requests for formal and informal legal opinions; assisting the branches in enforcing compliance provisions within Title 24, HRS; and providing assistance to FS&E, HIB, and CIB 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 (CE) and issues licenses to qualified applicants for various insurance licensees. The major license types are producer, nonresident producer, surplus lines broker, and adjuster licenses. LB maintains records of these licensees and is also responsible for CE 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. LB also works with the Commissioner's advisory board on CE requirements for producers. 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 ID. OS also maintains ID's central administrative files, including ID's memorandum, newspaper articles, documents, reports, etc.; orders office supplies and equipment for ID, and maintains its inventory; and handles the receiving and distribution of ID's general mail. 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. RPA analyzes and approves or disapproves rate filings for casualty, property, motor vehicle, inland marine, surety, credit life and disability, and Medicare supplement insurance. 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. RPA is comprised of a manager, one clerical assistant, and nine rate and policy analysts.

GOALS, OBJECTIVES, and POLICIES

ID's goal is to ensure that consumers are provided with insurance services which meet 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 Patient Protection and Affordable Care Act (PPACA) of 2010; (2) Develop a marketing strategy that will maintain Hawaii's world ranking as a leading captive insurance domicile; (3) Continue to meet its statutorily mandated requirements; (4) Maintain accreditation status; (5) Continue to increase the efficiency of ID's operations; and (6) Redevelop and redesign ID's database.

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

1. President Obama signed the PPACA into law in 2010. The ID was the recipient of several grants from the Department of Health and Human Services (DHHS) beginning in 2010 in relation to the start-up of a health insurance exchange in Hawaii and provided resources to assist the Hawaii Health Connector. ID is currently devoting resources and is assisting other agencies to transfer the responsibilities of the Connector to the various state agencies. The ID continues to review and qualify the ACA health plans.

2. Hawaii has long been an attractive domicile for the captive insurance industry because of its rigorous standards and geographical location. Other regions that have aggressively entered into this area continue to have success in attracting captive insurers. Hawaii continues to review its existing marketing strategy and amend existing components to reflect the changes ongoing in the industry. Hawaii is actively pursuing opportunities in Asia and has been able to maintain its standing as a captive insurer domicile world leader.

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

4. Accreditation of state insurance regulators is administered by 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 its accreditation status, ID will ensure the required level of funding in the budget for its financial

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

5. ID is continuously improving its computer systems and the use of the Internet in its regulation of the business of insurance in order to increase efficiency of operations. This includes the review of current operating systems and the exploration of adopting and using national regulatory systems to increase efficiency. ID developed a database named the Hawaii Insurance Division System (HIDS), which is an integrated system with the licensing module at its core, and subsystems to support other ID functions. HIDS has served the ID well by providing better management of the large volume of transactions handled by ID. It has greatly reduced the manual processes and has allowed for the dissemination of information to the public through the Internet. The examination application allows for the electronic submission and collection of premium tax returns and payments which is quicker and more efficient than the method of accepting hard copy submissions.

6. As ID looks to the future, exploration of turn-key systems to replace certain HIDS functions and to integrate with other Divisions is the new focus. The new systems will continue to interface where necessary with NAIC and the Hawaii Information Consortium, which provides the Internet portal for the State of Hawaii's web site. Keeping up with the rapid technological changes in the insurance regulatory arena will continue to improve ID's efficiency and provide better services and information via the web to consumers and insurance licensees.

ACCOMPLISHMENTS

Compliance and Enforcement Branch (C&E). C&E assists consumers and carriers with a variety of complaints. Consumers and the Insurance Industry saved or recovered \$1,092,162 from insurers and agents with the assistance of C&E. Four hundred and sixty three (463) complaints were received by C&E.

There were 10 formal actions involving C&E. Of this amount, two (2) were certificate of authority revocations, one (1) was a certificate of authority suspension, three (3) were license revocations, three (3) were fines only and one (1) was a cease and desist. A total of \$48,000 was levied in fines.

Financial Surveillance and Examination Branch (FS&E). 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. ID 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 2015, ID 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>2014</u>	<u>2013</u>
Number of Active Licensees and Registrations	1,342	1,322
Direct Premiums Written in Hawaii*	\$10,818,331,000	\$10,125,212,000
Surplus Lines Premiums Written in Hawaii	\$ 239,456,000	\$ 204,997,000
Foreign Risk Retention Group Premiums Written in Hawaii	\$ 7,139,000	\$ 6,247,000
Premium Tax Returns Processed	9,000+	9,000+
Premium Taxes & Levies Collected**	\$ 153,041,000	\$ 144,559,000
Total Hawaii Investments***	\$8,977,694,000	\$7,439,269,000

* Includes annuities, fraternal benefit societies (FBS) mutual benefit societies (MBS), health maintenance organizations (HMO), and Dental Insurers (DI) which are not subject to premium taxes. Annuities, FBS, MBS, HMO, and DI premiums for 2014 and 2013 were \$6,344,854,000 and \$5,803,051,000, respectively.

** Net of premium tax credits.

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

Health Insurance Branch (HIB). For FY2015, there were one hundred and twenty (120) complaints and written inquiries received, with the resolution of complaints resulting in consumer savings of over \$810,749. Also during the fiscal year, HIB reviewed eighty-four (84) rate and policy forms filings, resulting in a total savings to consumers of \$21,677,556. HIB conducts independent external reviews of managed care plan coverage decisions that are appealed by the plan member pursuant to HRS chapter 432E. For FY2015, five (5) external reviews were received, for a total award of \$42,027.

HIB is the federal grantee under a grant from DHHS for improving its health insurance premium rate review program, and the implementation of those improvements is underway. HIB has significantly improved the policies and procedures governing the oversight of rates in the small group and individual markets, and is collecting more data than ever before to enable a careful review of rate requests.

Insurance Fraud Investigations Branch (IFIB). During FY2015, IFIB received 359 referrals from insurance companies, various agencies, and the public. Of the referrals accepted for prosecution, criminal indictments were obtained against 22 individuals with a fraud amount totaling \$804,121 for the fiscal year. IFIB obtained restitution orders totaling \$7,348 for the cases that reached final disposition. In addition, IFIB obtained fines payable to the State of Hawaii totaling \$22,000, payments in the amount of \$4,465 to the Crime Victim Compensation Fund, probation service fees in the amount of \$3,450, and other miscellaneous fees in the amount of \$920.

Rate and Policy Analysis Branch (RPA). During FY2015, filings reviewed increased by 3.6% from the preceding year (FY2014). Review of Long-Term Care rate filings saved consumers over \$671,000. Review of Property and Casualty rate filings saved consumers over \$606,000.

CRF Financial Summary

The CRF financial summary relating to ID for FY2015 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$5,594,298	\$1,862,491	\$7,456,789	\$8,575,611

CONCLUSION

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 Chapter 91, HRS. The primary CRF caseload of OAH is composed of cases originating from: 1) the Regulated Industries Complaints Office and boards, commissions, and programs attached to the Professional and Vocational Licensing Division on licensee disciplinary action, appeals from denials of licenses, 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; 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 Claim Conciliation Panel (DCCP). 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 decisions 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

OAH staff responsible for CRF related activities are: Senior Hearings Officer, division secretary, two additional hearings officers, one legal clerk, and an MICP/DCCP clerk. The office is physically located in the King Kalakaua Building, 335 Merchant Street, Suite 100. OAH's mailing address is: Office of Administrative Hearings, 335 Merchant Street, Suite 100, Honolulu, Hawaii 96813; phone number: 586-2828; fax number: 586-3097; internet address: www.cca.hawaii.gov/oah/; and e-mail address: oah@dcca.hawaii.gov.

GOALS and OBJECTIVES

The primary goal and objective of OAH 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, OAH has implemented additional processes and procedures to ensure that all cases are timely processed:

1. Revise OAH’s database to include additional data fields so that all pending cases can be tracked for timeliness throughout the entire hearings process;
2. Inventory of all OAH cases in February and August of each year; and
3. Dispose of cases in which no action has been taken by the parties.

The secondary goal and objective of OAH 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.

ACCOMPLISHMENTS

The following table summarizes the CRF-related activities conducted by OAH for FY2015:

Type of Proceeding Conducted	Number
Pre-hearing conferences	114
Status conferences	59
Motions	21
Hearings	99

The following table summarizes the number of cases and the relative percentage of CRF-related activities conducted by OAH for the FY2015.

DCCA Divisions Referring Matters to OAH	Cases Filed	%
Insurance Division (denial of personal injury protection benefits)	154	54%
Regulated Industries Complaints Office (petitions for discipline and appeals from citations for unlicensed activities)	39	14%
Business Registration Division (trade name revocation proceedings, corporate name abatement proceedings, violations of securities laws)	21	7%
Professional and Vocational Licensing (license denials)	27	9%
Employees’ Retirement System	26	9%
Procurement Protests	14	5%
Other CRF-related hearings	6	2%

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

CONCLUSION

OAH 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 OAH's case database 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 DCCA, who serves as the consumer counsel for the State of Hawaii under Chapter 487, HRS. OCP reviews, investigates and conducts enforcement actions against unfair or deceptive trade practices in consumer transactions. OCP also 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, 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 Chapter 480E, HRS. *See* Table 1, Laws Enforced by OCP.

OCP received over 1,000 consumer complaints in FY2015. The actual number of OCP complaints varies from year to year depending on circumstances. Many factors may influence the number of complaints to OCP in any given year. However, for the period beginning FY2012 through FY2015, OCP averaged approximately 1,100 consumer complaints per year.

In addition to its enforcement duties, OCP offers information on the Hawaii Residential-Landlord Tenant Code to the general public through the Landlord-Tenant Hotline under section 521-77, HRS.

OCP employs 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, OCP staff attempts to provide as much assistance by telephone as possible, enabling consumers to resolve their concern(s) without government intervention. Fourth, emphasis is placed on consumer and business education through public service announcements, Consumer Dial messages, social media, 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 implement these strategies for the foreseeable future.

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 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.

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 intake 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.

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, Numerical Breakdown of Dispositions of All OCP Cases and Table 4, OCP Top Ten Complaints.

The Landlord-Tenant Section - phone: (808) 586-2634;

Consumer Dial: (808) 587- 1234; website www.cca.hawaii.gov/ocp

OCP operates the Residential Landlord-Tenant Hotline (Hotline). The Hotline is staffed by OCP investigators and volunteers 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 governing landlords and tenants. The office supplements this function by making available additional information on DCCA's 24-hour Consumer Dial Information Service, and on its website. OCP 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 enforcement attorneys who undertake civil enforcement actions against consumer law violators. The enforcement 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. In this regard, the office issues press releases on a variety of consumer topics, and distributes written materials tailored to provide specific consumer information. OCP also provides consumer information through its website and its Consumer Dial Information Service, in which interested persons may 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. See Table 5 for statistics on OCP Neighbor Island Assistance.

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. 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;
- Facilitating the exchange of information with a wide array of civil and criminal law enforcement agencies; and
- Providing 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 speaking to business leaders, attorneys and consumers regarding consumer protection issues and OCP's role in enforcing Hawaii's consumer protection laws.

Most recently, OCP has focused on the growing problems of identity theft, data breaches, and mortgage rescue fraud by providing important information to thousands of Hawaii residents on what they can do to avoid becoming victim of identity theft or mortgage rescue schemes.

In FY2015, OCP responded to more than 100,000 requests and inquiries from the general public, including more than 11,000 requests for information through the Hawaii Residential Landlord-Tenant Hotline operated and maintained by OCP. *See* Table 2, statistics on OCP Information Requests.

Legislation

OCP testified and provided input on numerous measures related to consumer protection during the Twenty-Eighth Hawaii State Legislature of 2015, including bills relating to the landlord-tenant code, payday lending, automatic renewal clauses, and Hawaii's towing law.

Cases

OCP’s staff handled many significant cases in FY2015 involving nearly every area of consumer protection. These cases involved violations of Hawaii’s consumer protection laws governing mortgage rescue 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 pharmaceutical companies.

As a result of its efforts, OCP recovered more than \$2,272,366 in fines and penalties and tens of thousands of dollars in restitution for Hawaii consumers.

CRF Financial Summary

The CRF financial summary relating to OCP for FY2015 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$1,465,610	\$249,640	\$1,715,250	\$2,331,058

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 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 ¹⁸
HRS Chapter 477E	Fair Credit Extension
HRS §480-2	Unfair and Deceptive Acts or Practices ¹⁹
HRS Chapter 480D	Collection Practices ²⁰
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
HRS Chapter 487A	Plain Language Law
HRS Chapter 487J	Personal Information Protection
HRS Chapter 487N	Notification of Security Breaches
HRS Chapter 487R	Destruction of Personal Information Records
HRS Chapter 506	Reverse Mortgage Loan
HRS Chapter 521	Landlord Tenant Code ²¹

¹⁸ Section 476-31, HRS. OCP has also filed cases based upon the Federal Truth in Lending Act and the State's usury statute, Chapter 478, HRS.

¹⁹ OCP also has enforcement power over certain Lemon Law agreements (section 481I-4, HRS), and has filed lawsuits based upon section 486-119, HRS, "Made in Hawai'i" law. Also, Chapter 514E, HRS, sets forth a comprehensive regulatory scheme for time-share development, sales and maintenance and establish thirteen specific types of conduct *per se* violations of section 480-2, HRS. Under section 490:2A-104, HRS, UCC leases are explicitly subject to state consumer protection statutes and case law.

²⁰ See also, Collection Agencies section 443B-20, HRS.

²¹ Section 521-74.5, HRS, provides that a landlord who recovers possession of a dwelling unit by willful interruption of utilities or other essential services violates section 480-2, HRS. In addition, section 521-77, HRS, provides that OCP may receive, investigate and attempt to resolve any dispute arising under Chapter 521, HRS.

Table 2: OCP Information Requests

REQUEST AND INQUIRIES	FY 2013	FY 2014	FY 2015
Requests for Prior Complaint History	8,596	9,012	8,200
Website inquiry General Information	78,805	97,291	54,977
Website inquiry Landlord/Tenant Information	23,735	40,674	9,384
Requests for Landlord/Tenant Information	10,533	11,521	11,431
Complaint Inquiries	17,709	14,545	14,561
Requests for Records Review	37	3	4
TOTAL	139,415	173,046	98,557

Table 3: Numerical Breakdown of Dispositions of All OCP

DISPOSITIONS	FY 2013	FY 2014	FY 2015
Complaint Withdrawn	8	1	3
Legal Action & Referrals to Legal	73	112	153
Advisory Contact	16	11	17
Civil Dispute/Personal Matter	56	34	43
Monetary Threshold	2	0	1
Complainant Uncooperative	27	17	28
Consumer Complaint Resolved	30	17	19
Respondent Died or Bankrupt	30	108	35
Business vs. Business	23	12	9
No Jurisdiction	23	18	35
Refer to Investigation	63	111	92
Other	3	1	3
Warning Letter	18	24	27
Insufficient Evidence	252	172	210
Transferred to Other Gov't. Agency	618	214	289

DISPOSITIONS	FY 2013	FY 2014	FY 2015
No Violation	15	26	24
Information Only/Inquiry	82	66	57
Total	1,339	944	1,045

Table 4: OCP Top Ten Complaints

SUBJECT	FY 2013	FY 2014	FY 2015
Internet Crime Complaints (NWC3)	#1. 352		#6. 49
Internet Transactions	#2. 195		
Exercise/Health Club		#1. 84	#1. 271
Scams	#3. 117	#3. 41	#3. 68
Refund law/Exchange merchandise/Credit	#5. 38		
Real Estate	#4. 47		#4. 60
Loans/Mortgage Related Services	#9. 27	#2. 59	#7. 47
Towing	#6. 36		
Telephone/Cellular/Pager	#7. 33	#8. 19	
Miscellaneous Internet Advertisement	#8. 31	#9. 16	
Travel/Vacation	#10. 24	#7. 28	#5. 59
Elderly Issues		#4. 37	
Identity Theft/Security Breach		#5. 29	#10. 36
Transportation (Sales/Repair/Rental/Towing/Parking)		#6. 29	#2. 91
Gift Certificate		#10. 15	
Service Agreements/Warranties/Insurance			#8. 45
Food/Drink Service			#9. 39

Table 5: OCP Neighbor Island Assistance FY2015

DIVISION	HILO	MAUI	TOTAL
Division of Financial Institutions	2	2	4
Business Registration	10	21	31
Cable Television	1	0	1
Insurance Division	7	6	13
Division of Consumer Advocacy	0	0	0
Professional & Vocational Licensing	7	11	18
Regulated Industries Complaints Office	83	80	163
Non-Departmental Related	48	101	149
Other DCCA Divisions	1	0	1
TOTAL	159	221	380

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 vocations²². 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 service assists consumers in making a decision on whether or not to utilize the services of the person or entity.

PVL's division and the 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 HRS and Hawaii Administrative Rules (HAR), as well as a means to request an application or contact the board or program staff via e-mail. The website address is cca.hawaii.gov/pvl. The website also includes FAQs, a link to online services, a link to board meeting schedules and agendas, board meeting minutes, how to request for a license verification, 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 indicate that the sites benefit a wide range of users, including consumers, licensees, employers, and government agencies, both in Hawaii and out-of-state. Links to other DCCA sites provide easy access to additional useful consumer information, such as a licensee's complaints history. The website address for PVL's Online

²² Act 199, SLH 2015, established a new licensing program for behavior analysts in Hawaii, which is to begin operating by January 1, 2016. Thus, the total number of professions and vocations licensed regulated by PVL, as well as the Regulated Industries Complaints Office for enforcement purposes, will increase to forty-nine (49).

Services is cca.hawaii.gov/pvl/e_services.

An 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 cca.hawaii.gov/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 thoughtful 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.

Administration Branch (Phone 586-2690) is comprised of a Staff Attorney, Supervising Executive Officer, Executive Officers, Program Specialists, and Secretaries, which 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.

Examination Branch (Phone 586-2711) consists of a Licensing Examiner and two examination clerks who assist the boards, commissions, and programs in ensuring that their applicants for licensure are able to sit for the required licensing examinations in a timely manner and that the examinations are administered fairly, accurately and as efficiently as possible. Currently, the Examination Branch utilizes multiple databases that were created by the various national organizations and their testing vendors to transmit eligibility information as well as to obtain exam results and reports. In addition, the Examination Branch helps to confirm the validity and reliability of the numerous exams, including reviewing and revising board-constructed examinations with the input of board members and other subject matter experts when necessary. Moreover, the Examination Branch reviews and processes requests by applicants for special examination accommodations with regard to the Americans with Disabilities Act and maintains the examination records for applicants and licensees.

Real Estate Branch (Phone 586-2643) performs the same functions as the Administration Branch but specifically for real estate licensing and regulation, and condominium property regimes. With a large volume of applicants, licensees, and registrations, the Real Estate Branch (comprised of a Supervising Executive Officer, an Executive Officer, Real Estate Specialists, Condominium Specialists, Secretarial and Office Assistant 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: cca.hawaii.gov/reb/.

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.

In FY2015, 87.5% of licensees renewed their licenses online as compared to 84.38%, who renewed online in FY2013. Licensees have been encouraged to use the online renewal system, which is an ideal opportunity to help them save on valuable time and effort. Also in FY2015, PVL received and responded to 40,599 emails as compared to 34,170 emails received and responded to in FY2014. The increase is likely due to trending of licensees and consumers who now have accessibility to modern technological hardware and the capabilities of computer savviness. 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 of Licenses Renewed Online; and Table 4: Total Number of Email Inquiries.

GOALS and OBJECTIVES (Action Plan) for FY2016

PVL is working towards allowing consumers to be able to complete the following tasks online: submit initial applications for licensure, beginning with security guard employees; make address changes; and request for pocket IDs and wall certificates.

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 Applicant/Licensee Interactive Automated System (ALIAS) replacement project has a back-end deployment date of March 2016. The custom built application will be used to issue licenses to PVL's applicants for all of its 48 licensing areas. Staff will conscientiously continue to work on the project while still handling their regular course of work. PVL will continue to move forward with the dynamic portal portion of the project which will be addressed soon after March 2016. This part of the project will allow interested persons to submit their applications online, check out the statuses of their applications, and allow them to make updates to their records, amongst other exciting core capabilities.

Act 199, SLH 2015, established the Behavior Analyst Program, which is a new licensing program for the division. PVL will begin to issue behavior analyst licenses effective January 1, 2016. There are approximately 98 behavior analysts in the State who will be licensed by the division.

The Administration Branch is currently proposing to increase PVL license fees (30% to 90%) through the Administrative Rulemaking Process (HAR Chapter 53). The process began in January 2015 with a target date of April 2016. The proposed fee increases will provide sufficient reserves to, among other things, pay for the cost of replacing PVL's existing antiquated database system.

The Licensing Branch will focus on improving public service through various changes on how staff processes its work and through increased use of technology. The Applications and Records sections will continue to seek as many ways possible to incorporate further use of technology to process tasks more efficiently and to better communicate with customers. 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. The Licensing Branch hopes to implement other means of reducing paper transactions such as having online processing for high-volume transactions.

The Examination Branch would like to continue to implement ideas and provide support for the increased use of technology into the licensing process by utilizing new databases as well as features of current databases. As an example, the Examination Branch will continue to look for additional exam-related documents and information (such as examination score reports) that can be transmitted and/or maintained electronically by the division rather than through hardcopies. Maintaining documents electronically saves PVL staff from manual filing and searching for documents and also allows other staff efficient access to the documents when necessary. With the implementation of a new PVL database in 2016, it is anticipated that the Examination Branch will need to implement the most efficient and beneficial system to handle all of the branch's pre-exam and post-exam processes. In addition, the Examination Branch will continue to work closely with the Executive Officers, the national organizations/testing agencies, and the Licensing Branch to streamline processes and will create more helpful, user-friendly information and instructions for the examinees as well as the staff. In addition to processing of

examination data, the Examination Branch would like to continue review of the performance of the examinations regarding usefulness and validity.

The Real Estate Branch (REB) will continue to improve the offering and delivery of real estate pre-licensing and continuing education (CE) courses. In FY2015, DCCA, along with PVL, contracted to migrate the existing licensing database to a new platform. REB has been tasked with being one of the first programs to utilize the new database and will work extensively with the vendor to implement the program. Rulemaking continues for HAR Chapter 99 for real estate brokers and salespersons, and HRS Chapter 514B. REB will continue educating its licensees on the topic of condominiums through the Real Estate Commission's (REC) mandatory core course. For the condominium program, REB solicited and collected suggestions from stakeholders in the condominium community, and is continuing work on revised rules for HRS Chapter 514B. REB will further work to enhance online public access to condominium projects, Association of Unit Owners registrations, and further develop its communication efforts with unit owners, developers, boards, associations, and the general public. The Program of Work for the REC and REB also includes the development and implementation of a new registration program for condominium projects. For a comprehensive report on REB's and REC'S FY2016 goals and objectives, please refer to cca.hawaii.gov/reb/reports/ to view their Annual Report for fiscal year ending June 30, 2015.

ACCOMPLISHMENTS and PERFORMANCE MEASURES

Significant Online User Activities

In pursuing the division's objective of improving and expanding customer online services, the ability to allow PVL licensees to renew their licenses online continues to be successful with an online renewal user rate of 90.21% for FY2014 and 87.5% for FY2015.

PVL continued to absorb transaction fees that otherwise would have been passed on to licensees who used the online renewal system. Licensees have the flexibility to pay by Echeck, credit card, or by employer subscriber accounts. PVL paid \$313,117 in service fees for FY2015, which is used to help maintain, support and further improve PVL's online services that serve PVL's licensees and the general public.

For PVL's License Search online system, there were 542,753 "page views" during FY2015. 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.

PVL deployed a new online surety system that allows insurance companies to submit general liability and worker's compensation insurance updates for contractor and pest control licensees. This was a challenging project to move forward due to the complexity of designing a system that in the front end, verifies that 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 provided a solution. There were 161 insurance submittals upon the initial deployment in April 2014, with less than two months left in FY2014. In FY2015, the numbers of submittals received and processed were more than 2,300.

PVL continues to enhance and improve its “MyPVL” online service which allows licensees to access their PVL licensing and online renewal information via a single online user account 24/7, 365 days a year. This initiative has proven to be very successful from the initial deployment in November 2013. MyPVL has 95,576 registered accounts with 111,237 linked PVL licenses as of FY2015.

Significant Branch Activities

The Administration Branch successfully filled three Executive Officer positions on July 1, 2014. The positions became available due to promotion, retirement, and relocation.

In August 2014, Hurricane Iselle approached the Hawaiian Islands. In preparation for the anticipated emergency, the division was tasked with pulling together lists of licensed contractors, dentists, electricians and plumbers, nurses, physicians, veterinarians, totalling information for more than 75,000 licensees. The lists, if needed, would be shared with other agencies to meet the public’s need for such services. Staff was able to pull off the assignment in under eight hours.

Security guard employees were able to renew/restore their licenses online at MyPVL starting in September 2014. This was the first set of licensees eligible to renew/restore online. 137 licensees utilized the online system to renew/restore their licenses through June 30, 2015.

On October 3, 2014, a much-needed temporary fee increase for PVL and the Regulated Industries Complaints Office was authorized by the Governor. This was the first fee increase since 1982. As noted in the Goals and Activities section, the division is currently proposing to increase PVL license fees (30% to 90%) through the Administrative Rulemaking Process (HAR Chapter 53). This proposed fee increase would replace the October 2014 temporary fee increase. The rulemaking process began in January 2015 with a target completion date of April 2016. The proposed fee increases will provide the division with revenue to make long-delayed improvements in its operations.

The Applicant/Licensee Integrated Automated System (ALIAS), PVL’s licensing database system replacement project, began in September 2014. A vendor was selected to build a replacement system to improve and enhance PVL’s license processing efficiency and tracking. Project scope includes project planning/initiation; system design; data analysis; build system; data migration and system interface; and system deployment. The project is on track and the anticipated deployment date is March 2016.

An Orientation for PVL’s board and commission members was held on December 5, 2014. It was coordinated by PVL and included presentations by the Director, State Ethics Commission, Office of Information Practices, Department of the Attorney General, Office of Administrative Hearings, and the Regulated Industries Complaints Office. The division received positive feedback from the attendees who reported that the information provided to them was very valuable.

In December 2014, the division was notified by the Office of the Auditor that they were going to conduct a sunset review on the regulation of respiratory therapists, provided under Chapter 466D, HRS. Section 26H-4(b), HRS, requires the State Auditor to perform an evaluation of the Respiratory Therapists Program prior to its repeal date of June 30, 2016. The sunset evaluation was conducted and it was concluded that the continued regulation of respiratory therapists is warranted.

The Administration Branch participated in the DCCA Resource Fair at the State Capitol on February 4, 2015. The event was organized by the Director's Office to showcase various divisions and programs, and to provide greater detail to legislators, their staff, and the public, on what the divisions do. PVL's Executive Officers attended and provided information about their respective licensing areas. It was a successful event.

The Licensing Branch processed approximately 14,269 new licenses and was able to attain a 90% on-time processing rate. In addition, approximately 76,859 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 cut down on overtime hours of staff having to post contractor insurance information into ALIAS. The Licensing Branch Chief took it upon herself to develop a training manual for all Records section staff to learn how to post contractor insurance. This initiative was very successful.

The Examination Branch was able to maintain timely processing of applicant eligibility for testing. Once an applicant was deemed eligible to sit for an exam by the board and he/she registered for the exam with the testing agency, the Examination Branch was able to confirm the eligibility within three to five business days so that the applicant could schedule an examination appointment. In addition, in most cases, the Examination Branch was able to process the examination results once they were made available by the testing agency within three to five business days so that the applicant could continue on to receive his/her license number. There were many changes implemented in FY 2015 by the national organizations and testing agencies that required the Examination Branch to learn how to use and navigate several new databases and programs. The Examination Branch was able to make the transitions as seamlessly as possible. Moreover, the Examination Branch utilized the features of the new databases and programs to develop new processes that promoted the internal use of more technology in transmitting and maintaining exam-related documents to the Licensing Branch. This required in-depth communication with the Licensing Branch as well as the development of a new system of electronic files by the Licensing Examiner. In addition, the Licensing Examiner trained the Examination Branch clerks on use of this new transmittal system and also developed a comprehensive, written instructional guide for reference. Beyond the processing of exam documents, the Examination Branch continued to look for ways to promote more efficient application processing for licensure. For example, when the opportunity became available for candidates to register for some exams without needing to apply to the board first, the Examination Branch worked with the Executive Officers and the Licensing Branch to ensure PVL took advantage of this opportunity. Allowing for direct registration of examinations is beneficial to the workload of all branches of PVL staff as well as to the applicants. The Examination Branch also worked with boards and testing agencies on updating/creating examination items and helping to find solutions to any challenges or concerns regarding the examinations.

In line with PVL's objectives of improving and expanding the division's online services, REB continued with its implementation of online services, including condominium association registration and a 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.hawaii.gov/rece/app/welcome.html>. Additionally, 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 and 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 matters addressed by REB and REC in FY2015, please refer to <http://cca.hawaii.gov/reb/reports/> to view their Annual Report for fiscal year ending June 30, 2015.

Significant Legislative Activities

PVL had another eventful legislative session in 2015. The division was busy monitoring and testifying on bills that affected PVL. For a list of the sixteen bills impacting PVL, which were passed into law in 2015, see Table 5: PVL List of 2015 Acts, Session Laws of Hawaii.

Hawaii Administrative Rules Activities

In FY2015, amendments to the following rule chapters were adopted: HAR Chapter 69, Relating to Dentists and Dental Hygienists; HAR Chapter 85, relating to Medical Examiners; HAR Chapter 88, relating to Naturopaths; HAR Chapter 95, relating to Pharmacists and Pharmacies; and HAR Chapter 110, Relating to Physical Therapy.

Significant Division Activity

PVL did extremely well at the 2015 DCCA Annual Incentive and Service Awards Ceremony. PVL won the following categories: Employee of the Year (Charlene Oshiro); Team of the Year (PVL's Update Fee Schedule Team); and Spirit of DCCA (Diane Choy Fujimura). The Employee of the Year and Team of the Year represented DCCA at the Governor's Awards ceremony on October 2, 2015.

CRF Financial Summary

The CRF financial summary relating to PVL for FY2015 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$4,234,948	\$1,434,005	\$5,668,953	\$6,033,092

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 and fair regulation, and consumer protection. PVL is mindful of the strain on Hawaii's businesses and

Professional and Vocational Licensing Division (PVL)

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 and programs of PVL continue to maintain high performance standards, uphold consumer protection, work well as a team, and are responsive to increased demands.

Table 1: PVL Statistical Overview

	FY 2014	FY 2015
No. of applications received	20,779	14,382
No. of applicants licensed	21,434	14,269
No. of licenses renewed	60,016	64,590
No. of permits issued	1,603	2,303
No. of changes processed	239,340	239,236
No. of calls received by Licensing Branch	61,584	61,175
No. of current licensees	141,946	149,463
Total licensee population (all statuses - i.e. Current, forfeited, delinquent)	389,256	400,717

Table 2: Total Number of Current PVL Licensees

Boards and Commissions (shown by asterisk *), and Programs	FY 2014	FY 2015
Accountants*	3,331	3,527
Activity Desks	812	873
Acupuncturists*	698	746
Athletic Trainers	226	246
Barbering and Cosmetology*		
Barbers	1,345	1,440
Barber Shops	187	209
Beauty Operators*	8,325	8,895
Beauty Instructors	105	116
Beauty Schools	12	13
Beauty Shops	1,270	1,398
Boxing (all categories)*	26	20
Cemeteries and Pre-Need Funeral Authorities	23	23
Chiropractors*	591	632
Collection Agencies	639	598
Contractors*	12,501	12,541
Dentists*	1,473	1,528
Community Service Dentists	27	35
Dental Hygienists	1,010	1,101
Community Service Dental Hygienists	1	2
Dispensing Opticians	204	187
Electricians (all categories)*	3,749	3,521
Plumbers (all categories)*	1,251	1,315
Electrologists	19	18
Elevator Mechanics*	232	226
Employment Agencies	71	65
Engineers, Architects, Surveyors, and Landscape Architects:*		
Engineers	6,342	6,809
Architects	2,263	2,418

Professional and Vocational Licensing Division (PVL)

Surveyors	208	210
Landscape Architects	150	156
Hearing Aid Dealers & Fitters	114	124
Marriage and Family Therapists	341	397
Massage Therapists*	8,260	7,923
Massage Establishments	903	797
Medical and Osteopathy*		
Physicians	8,683	9,236
Podiatrists	79	83
Osteopaths	865	879
Physician Assistants	274	340
Emergency Medical Technicians	695	780
Mobile Intensive Care Technicians	485	520
Mental Health Counselors	296	312
Mixed Martial Arts	120	192
Motor Vehicle Dealers*	270	254
Motor Vehicle Dealer Branches	43	36
Motor Vehicle Distributors	37	29
Motor Vehicle Manufacturers	44	39
Motor Vehicle Salespersons	1,737	1,689
Motor Vehicle Others (Auction, Broker, Consultant)	10	11
Motor Vehicle Repair Dealers*	756	790
Motor Vehicle Mechanics	1,637	1,765
Naturopaths*	137	151
Nursing*		
Registered Nurses (RN)	23,156	26,017
Licensed Practical Nurses (LPN)	2,663	3,021
Advanced Practice Registered Nurse (APRN)	1,235	1,412
Nurse Aides	7,582	7,848
Nursing Home Administrators	155	163
Occupational Therapists	690	619
Optometrists*	402	426
Pest Control Operators*	194	193
Pest Control Field Representatives	235	192
Pharmacists*	2,445	2,638
Pharmacies	270	288
Wholesale Prescription Drug Distributors	535	64
Miscellaneous Permits	62	668
Physical Therapists	1,592	1,571
Physical Therapist Assistants		251
Port Pilots	10	9
Private Detective Agencies*	43	39
Private Detectives	114	108
Guard Agencies	85	75
Guards	107	103
Guard Employees	10,158	11,88
Psychologists*	1,109	1,130
Real Estate Appraisers	543	583
Real Estate Brokers*	6514	6,309
Real Estate Salespersons	11,949	11,247
Real Estate Branch Offices	94	88
Condominium Hotel Operators	29	29
Respiratory Therapists	532	531
Social Workers	1,801	2,003
Speech Pathologists*	588	698
Audiologists	70	81
Travel Agencies	1,157	1,252

Professional and Vocational Licensing Division (PVL)

Uniform Athlete Agents	6	7
Veterinarians*	526	534
TOTAL	149,528	157,331

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

License Types	FY2012	FY2013	FY2014	FY2015
Accountants	2,105 (88.7%)		2,362 (95.5%)	
Accountancy Firm Permits to Practice	285 (95%)		361 (86.4%)	
Activity Desks	194 (87.8%)		195 (86.7%)	
Acupuncturists		595 (93.26%)		618 (96.41%)
Architects	2,026 (94.76%)		2,034 (94.56%)	
Audiologists	60 (92.3%)		61 (95.3%)	
Barbers	907 (79.4%)		905 (79%)	
Barber Shops	99 (58.6%)		115 (78.8%)	
Beauty Operators	5,991 (85.9%)		6,087 (86.3%)	
Beauty Instructors	67 (88.2%)		69 (87.3%)	
Beauty Shops	691 (66%)		781 (80.1%)	
Chiropractors	507 (92.2%)		494 (95.6%)	
Contractors		5,791 (60.59%)		6,291 (62.62%)
Community Service Dentists	19 (86.4%)		16 (84.2%)	
Dental Hygienists	837 (96%)		881 (95.4%)	
Dentists	1,368 (95.5%)		1,301 (94.5%)	
Dispensing Opticians	147 (89.09%)		152 (100%)	
Electrologists		12 (100%)		15 (88.24%)
Electricians			2,941 (90.8%)	
Elevator Mechanics	144 (71.29%)		150 (72.46%)	
Emergency Medical Technicians (basic)	540 (93.8%)		373 (64.6%)	
Emergency Medical Technicians (paramedic)	398 (93.6%)		362 (78.5%)	
Guards	78 (86.67%)		79 (92.94%)	
Guard Agencies	48 (77.42%)		48 (81.36%)	
Guard Employees			6,464 (90.07%)	
Hearing Aid Dealers and Fitters	96 (94.1%)		92 (92.9%)	
Landscape Architects	136 (95.1%)		130 (90.28%)	
Land Surveyors	193 (96.5%)		181 (90.05%)	
Marriage and Family Therapists			267 (91.75%)	
Massage Establishments	526 (82.97%)		553 (88.48%)	
Massage Therapists	5,707 (86.08%)		6,231 (92.5%)	
Mental Health Counselors			239 (90.19%)	
Motor Vehicle Auctions	5 (100%)		4 (80%)	
Motor Vehicle Brokers	1 (100%)		1 (100%)	
Motor Vehicle Branches	30 (90.91%)		26 (92.86%)	
Motor Vehicle Consumer Consultants	3 (75%)		3 (100%)	
Motor Vehicle Dealers	194 (87%)		201 (85.9%)	
Motor Vehicle Salespersons	1,087 (89.54%)		1,221 (90.92%)	
Motor Vehicle – Distributors			24 (92.31%)	
Motor Vehicle – Manufacturers			36 (97.3%)	
Motor Vehicle Repair Dealers		437 (67.65%)		473 (91.67%)
Motor Vehicle Repair Registered Mechanics		338 (74.12%)		290 (89.23%)
Naturopaths	88 (81.5%)		104 (93.7%)	
Nurses, Advanced Practice Registered (APRN)		820 (80.16%)		1,001 (87.73%)
Nurses, Licensed Practical (LPN)		1,997 (88.6%)		2,019 (90.25%)
Nurses, Registered (RN)		17,169 (87.81%)		19,008 (92.05%)

Professional and Vocational Licensing Division (PVL)

Nursing Home Administrators	106 (86.18%)		126 (92.65%)	
Occupational Therapists		438 (92.41%)		487 (95.68%)
Optometrists	321 (88.2%)		340 (90.2%)	
Osteopaths	519 (86.79%)		599 (90.48%)	
Pest Control Field Representatives	155 (91.18%)		133 (95%)	
Pest Control Operators (inactive status only)	7 (46.67%)		10 (71.43%)	
Pharmacists	1,997 (94.4%)		2,206 (95.9%)	
Pharmacies	130 (52.6%)		213 (81.9%)	
Pharmacy – Misc. Permits	239 (74.7%)		327 (78.8%)	
Pharmacy – Wholesale Prescription Drug Dist.	46 (73%)		42 (84%)	
Physical Therapists		1,175 (93.48%)		1,350 (96.64%)
Physicians	6,588 (87.8%)		6,728 (87.3%)	
Plumbers	853 (85.47%)			967 (93.79%)
Podiatrists	54 (75%)		59 (81.9%)	
Private Detectives	90 (90%)		87 (94.57%)	
Private Detective Agencies	24 (77.42%)		23 (76.67%)	
Professional Engineers	5,528 (95.96%)		5,816 (95.13%)	
Psychologists	869 (92.45%)		978 (95.98%)	
Real Estate Branch Offices		51 (72.86%)		65 (95.59%)
Real Estate Brokers		5,391 (92.31%)		5,597 (93.89%)
Real Estate Salespersons		9,237 (94.31%)		9,582 (95.36%)
Respiratory Therapists			402 (96.87%)	
Social Workers		1,395 (88.57)		
Speech Pathologists	399 (83%)		465 (96.9%)	
Travel Agencies	692 (90.8%)		624 (86.8%)	
Uniform Athlete Agents	3 (100%)		4 (100%)	
Veterinarians	388 (89.2%)		435 (94.16%)	
TOTAL	43,585 (88.4%)	44,846 (84.38%)	55,161 (90.21%)	47,763 (87.5%)

Table 4: Total Number of Email Inquiries

Boards and Programs	FY2014	FY2015
Accountancy	1,243	896
Activity Desk	67	137
Acupuncture	94	189
Athletic Trainer	42	25
Barbering and Cosmetology	1,270	1,465
Boxing	0	28
Cemetery and Pre-Need Funeral Authority	35	80
Chiropractor	271	202
Collection Agency	589	545
Contractor	1,412	2,339
Dentist and Dental Hygienist	95	90
Dispensing Optician	37	64
Electrician and Plumber	415	510
Electrologist	3	4
Elevator Mechanic	21	10
Employment Agency	11	22
Engineer, Architect, Surveyor, and Landscape Architect	930	850
Exam Branch	111	108
Hearing Aid Dealer and Fitter	24	40
Marriage and Family Therapist	223	248
Massage Therapy	1,247	1,352
Medical and Osteopathy	3,380	4,035

Professional and Vocational Licensing Division (PVL)

Mental Health Counselor	384	402
Mixed Martial Arts	547	680
Motor Vehicle Industry	210	274
Motor Vehicle Repair	81	198
Naturopathy	105	150
Nurse Aide	60	44
Nursing	2,659	4,081
Nursing Home Administrator	29	41
Occupational Therapist	124	234
Optometry	260	211
Pest Control	75	396
Pharmacy and Pharmacist	1,540	1,919
Physical Therapy	652	1,320
Private Detective and Guard	748	702
Psychology	583	639
Professional Vocational Licensing (PVL)	4530	8,254
Real Estate	7345	5,183
Real Estate Appraiser	1,056	790
Respiratory Therapist	98	86
Social Worker	385	518
Speech Pathology and Audiology	218	295
Subdivision	38	39
Time Share	500	592
Travel Agency	177	65
Uniform Athlete Agent	3	0
Veterinary	243	247
TOTAL	34,170	40,599

Table 5: PVL List of 2015 Acts, Session Laws of Hawaii

Act No.	Bill No.	Title
9	H.B. No. 269	Relating to Psychology
27	S.B. No. 729	Relating to Advanced Practice Registered Nurses
28	S.B. No. 114, S.D. 1	Relating to Dentistry
29	S.B. No. 2475	Relating To Assisting Unlicensed Contractors
36	H.B. No. 253, H.D. 2, S.D. 1	Relating to Vaccinations
41	H.B. No. 279, H.D. 2, S.D. 1	Relating to Real Estate Brokers and Salespersons
48	S.B. No. 2, S.D. 2, H.D. 2	Relating to Pilotage
61	S.B. No. 743, S.D. 1, H.D. 2	Relating to Activity Desks
93	H.B. No. 169, H.D. 1, S.D. 1, C.D. 1	Relating to Taxation
127	H.B. No. 354, H.D. 2, S.D. 1	Relating to Nurses
135	S.B. No. 17, H.D. 2, C.D. 1	Relating to Real Estate Seller Disclosure
164	S.B. No. 1316, S.D. 2, H.D. 2, C.D. 1	Relating to Electric Vehicles
198	H.B. No. 268, H.D. 2, S.D. 1	Relating to Dentistry
199	S.B. No. 40, S.D. 3, H.D. 2, C.D. 1	Relating to Licensing
204	S.B. No. 519, S.D. 2, H.D. 3, C.D. 1	Relating to Taxation
242	S.B. No. 1291, S.D. 2, H.D. 2, C.D. 1	Relating to Medical Marijuana

REGULATED INDUSTRIES COMPLAINTS OFFICE (RICO)

website: www.cca.hawaii.gov/rico

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

OVERVIEW

Most people are not aware that a professional or vocational license is required before you can work in certain industries. There are currently over 48 different industries²³ in which a professional or vocational license is required. These industries are the kind that affect the health, safety, and welfare of Hawaii's citizens.

Purpose

The Regulated Industries Complaints Office (RICO) serves as the enforcement arm for the various professions and vocations that are licensed in the State, investigating allegations of licensing law violations by licensees and allegations of unlicensed activity by unlicensed persons. In addition to its enforcement function, RICO works to resolve consumer complaints where appropriate and to provide consumer education about various issues relating to licensing and consumer protection. RICO also administers the State Certified Arbitration Program (SCAP) for "lemon" motor vehicle claims.

Source of Complaints

RICO receives complaints and information from a variety of sources, including consumers, other licensing authorities, and from anonymous sources. RICO also initiates cases based on referrals from law enforcement agencies and professional associations. Occasionally, matters are reported by hospitals and employers. RICO also conducts compliance checks, and sweep and sting operations. Most RICO cases are initiated by consumer complaints.

Composition and Functions

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

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:

Intake

RICO's Consumer Resource Center (CRC) handles the intake functions for both RICO and OCP. CRC staff is comprised of intake investigators and clerical support. The branch serves as the face of RICO and is often the first contact a consumer will have with the agency.

²³ See Footnote 22.

Consumers calling the CRC can speak directly with an intake investigator. As the “complaints office,” many of the calls RICO receives are for matters outside of RICO’s jurisdiction, and intake investigators are adept at referring consumers to the right place. For consumers wishing for more information about RICO matters, or to file a RICO complaint, intake investigators will answer questions, provide information, and walk the consumer through the complaint process. For consumers wishing to file an OCP complaint, intake investigators will walk the consumer through the complaint process or refer the consumer to an OCP investigator for more information.

As part of the complaint filing process, consumers are encouraged to try to resolve problems before filing a complaint, and a self-help letter template is provided. Even after a written complaint is received, an intake investigator may continue to work with the parties if he/she believes a dispute can be resolved. Frequently, an intake investigator will simply solicit an explanation or response from a respondent, and in many cases, the response is sufficient to resolve the problem without formal investigation. An estimated 7,199 assistance requests to RICO were resolved in FY2015 without a complaint being filed. An additional 1,723 matters were resolved for the Office of Consumer Protection.

RICO received around 2,252 complaints in FY2015. Intake investigators conduct preliminary investigations and screening and forward to RICO’s field or legal branch only those cases appropriate for further investigation or prosecution. Complaints not within RICO’s jurisdiction may be referred to another agency. If the complaint lacks sufficient basis for further investigation, or if the complainant withdraws the complaint, refuses to cooperate, or is no longer locatable, the complaint may be inactivated at the intake stage.

ACCOMPLISHMENTS

RICO deals with a wide variety of alleged conduct. Some cases, like failing to report out-of-state disciplinary actions or failing to complete mandatory continuing education, are relatively straightforward. Last year, RICO instituted a new program that “fast tracks” these types of cases at the intake stage. In FY2014, 44 cases were successfully resolved based on early investigation, resulting in significantly faster case processing times. The number is expected to significantly increase in FY2015.

Intake investigators also continue to operate the RICO Unlicensed Activity Tip Team, reviewing incoming tip information and working up possible cases for field investigators. The Team also conducts investigations of unlicensed advertising, which includes obtaining information about advertisements and postings from publishers and internet providers. Advertising cases are also reviewed for possible early resolution.

Investigation

The Field Investigation unit is comprised of field investigators and clerical support, and comprises the largest concentration of RICO staff. In addition to the Oahu office, RICO has field investigation units in Lihue, Wailuku, Hilo, and Kona.

Field investigators conduct interviews, obtain relevant records, and consult with Advisory Committee Members to determine if there is sufficient evidence to warrant consideration for legal action.

Advisory Committee Members are appointed by the Boards and Commissions and serve as experts to assist in licensing matters. Expert evaluations can be important in cases involving professional misconduct or alleged violations of the standards of care. Again, an investigation may focus on licensing violations committed by licensees, or may involve allegations of unlicensed activity.

If a field investigator believes there is sufficient evidence of a violation to warrant review by a staff attorney, the case is referred to the RICO Legal Section for review and possible prosecution. If, in the course of an investigation, it is determined that legal action is not warranted, the complaint may be inactivated at the investigation level. There are many reasons why a complaint may not warrant legal action, such as where a warning letter is appropriate or where the investigation establishes that there is no violation.

Field investigators continue to work with staff attorneys throughout the prosecution process, conducting any additional investigation that may be needed, serving hearing notices, and providing testimony in administrative hearings. With enforcement responsibility over the licensing laws of over 48 different boards, commissions and programs, investigators evaluate a diverse population of licensees with a wide range of possible violations. In FY2015, 1,164 investigations were completed.

In addition to investigating RICO complaints, the investigators and clerical staff in RICO's neighbor island offices play an important role as neighbor island liaisons for DCCA. Many neighbor island residents prefer to work with a local RICO office, and these offices experience a high volume of visitors. In addition to providing RICO information, neighbor island staff provide licensing applications and other forms. Neighbor island staff also provide technical assistance for hearings and facilitate meetings in the RICO spaces. In FY2015, neighbor island staff responded to 5,107 requests for assistance on non-RICO matters.

ACCOMPLISHMENTS

RICO recently established an internal system for prioritizing cases in which the alleged conduct, the number of complaints being received, or the type of violation being alleged may cause a RICO supervisor to determine the investigation of a case should be prioritized. For prioritized cases, an investigation plan is developed prior to assignment to a field investigator and regular updates made.

At any time during the investigation process, a licensee may indicate a willingness to resolve a case. Field investigators may request early assistance from the Supervising Attorney to review a pending case for possible settlement. If settlement isn't appropriate or achievable, the RICO investigation continues. In FY2015, early settlement offers were made in over 150 matters, resulting in fewer cases being assigned to staff attorneys and faster processing times.

The unit is also working to develop two, full-time Unlicensed Task Force teams to work primarily on unlicensed cases and to be available to respond to tip information about unlicensed jobs.

Prosecution

Prosecution of cases is handled by the RICO Legal Section which is comprised of staff attorneys and legal support. The unit receives cases from both the CRC and Field Investigation. Staff attorneys are responsible for reviewing cases and determining if there are sufficient grounds to pursue legal action.

Cases against licensees are handled administratively, with the boards, commissions, and programs issuing the final decisions in each case. Administrative actions start with the filing of a Petition for Disciplinary Action. Hearings are heard by a Hearings Officer from the Office of Administrative Hearings in accordance with Chapter 91, HRS, the Hawaii Administrative Procedures Act. After a formal hearing is conducted, the hearings officer issues an initial decision which contains findings of fact, conclusions of law, and recommendations for disciplinary action. The initial decision is then reviewed by the appropriate board, commission, or program, and either accepted, modified, or rejected. The licensee may request, or the board, on its own, may seek review of a hearings officer's decision. Appeals are made to Circuit Court.

Not all cases referred to the legal section result in formal hearings. Some matters are resolved before a petition for disciplinary action is filed through settlement. Settlement agreements must be approved by the board, commission, or program and the licensing authority may accept or reject a settlement agreement. If a settlement agreement is accepted, it becomes a final order of the licensing authority. If the settlement agreement is rejected, RICO must revisit the case and determine if a petition for disciplinary action will be filed. There are many factors that determine whether a RICO case is appropriate for settlement. Such factors include the underlying conduct, the type of violation alleged, and the ability of the State to obtain at hearing the same or greater sanction as that proposed. In FY2015, RICO was able to resolve 280 cases without a contested case hearing. Settlement allows RICO to resolve cases more efficiently, within shorter time frames, and with fewer attorney hours.

If the legal action results in disciplinary action, a wide variety of sanctions may be imposed, including but not limited to license revocation, suspension or restriction, monetary fines, restitution, professional evaluation and education, and testing and treatment.

Persons who practice a regulated business or profession without a license may be issued a citation and ordered to cease and desist engaging in unlicensed conduct. In FY2015, 83 citations for unlicensed activity were issued. Staff attorneys may also petition a circuit court for a permanent injunction against an unlicensed individual prohibiting future unlicensed activity and civil fines, and in FY2015, staff attorneys filed civil lawsuits that alleged unlicensed activity in 284 cases. Many licensing statutes also subject unlicensed persons to criminal prosecution by local authorities, and the office works closely with criminal law enforcement to seek criminal prosecution where appropriate.

ACCOMPLISHMENTS

Over 350 civil and administrative actions are filed by RICO each year. In FY2015, \$1,258,322.91 was assessed in fines or civil penalties and \$170,798.06 was assessed in restitution to consumers. Thirty-six licensees were removed from practice and fines, probation, or other conditions imposed in an additional 379 cases. Fines imposed had a 73% collection rate in FY2015.

Over the past year, the RICO Legal Section has been instrumental in working with intake and field investigators on early resolution initiatives, resulting in the expedited processing of over 190 cases.

Education and Information

RICO is committed to providing information to both consumers and licensees about the different areas it oversees. Consumer education is important so that consumers can make informed decisions and avoid fraud. Licensee education is important so that licensees can adjust their practices to avoid violating licensing laws. Each year, RICO participates in a number of home shows, senior fairs, and industry group presentations, reaching an estimated 31,660 consumers and licensees throughout the State in FY2015. RICO also actively participates in elder fraud enforcement initiatives, providing a variety of consumer information resources for seniors. One of the most requested education pieces is RICO's "At the Door/On the Phone," which provides helpful tips on how to handle unwanted solicitations. In FY2015, RICO distributed 31,211 printed brochures. The brochures are also available on the RICO website which saw an estimated 26,310 views in FY2015.

Consumer education and outreach efforts are coordinated by the CRC, which also operates RICO's call center, the Licensing & Business Information Section (LBIS). By calling 587-4272 (587-4CRC), consumers can get basic business registration information, find out if a business or individual is licensed, and get information about complaints filed with RICO and OCP. The call center is widely used by consumers, businesses, licensees, and credentialing organizations in Hawaii, as well as in other states. In FY2015, LBIS answered 13,177 calls, conducting an estimated 42,897 searches. Staff is available Mondays through Friday, from 7:45 a.m. to 4:30 p.m. Neighbor island residents can call LBIS toll-free.

Licensing and complaint history information is also available online at www.businesscheck.hawaii.gov, providing 24/7 access to current licensing, complaints, and business registration information. Like the call center, 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. In FY2015, there were 146,185 views to the businesscheck.hawaii.gov webpage through the RICO website.

State Certified Arbitration Program

RICO administers SCAP for "lemon" motor vehicle claims, which provides an arbitration forum for consumers to resolve car warranty complaints with manufacturers. Under certain conditions, a consumer may be entitled to receive a refund or replacement for a car that has a nonconformity. A nonconformity is a defect or condition that does not conform to the car's warranty and that substantially impairs the use, market value, or safety of the car.

Consumers are counseled to first read the Lemon Law Consumer Handbook for information and instructions, then write to the manufacturer. If unable to reach a resolution, the consumer files a Demand for Arbitration with SCAP which then initiates a case and schedules the matter for arbitration. Consumers pay a \$50.00 filing fee which is refunded if the consumer prevails at arbitration. Before an arbitration is scheduled, the manufacturer or its authorized repair dealership is given a reasonable opportunity to repair the vehicle.

One consumer described the program as “...one of the few ways a consumer can legally and inexpensively fight for their rights in a fair process against an intimidating, large manufacturer.”

The program consistently achieves high rates of satisfactory arbitrations. In FY2015, 21 cases were initiated with 8 decisions issued in favor of consumers and 5 decisions issued in favor of manufacturers. The program also works with manufacturers and consumers to resolve issues, and in FY2015, 8 cases were settled after filing. A total of \$483,938.00 in consumer refunds and bank loan payoffs were issued. While each year only a small percentage of cars sold in the State are declared lemons, all new car buyers benefit from the law which creates incentives for manufacturers to deliver cars that are free from defect and to address on-going problems through efficient repair and voluntary recall.

The program operates under the direction of the Lemon Law Administrator and is currently working with the University of Hawaii’s Extension Education Program on updating its educational video about the SCAP process. More information is available on the RICO website at www.cca.hawaii.gov/rico/scap_llaw.

GOALS and OBJECTIVES

Expand resources and personnel. Over the past few years, RICO has seen a marked increase in serious cases. Allegations of gross medical and dental malpractice, allegations of abuse or improper touching by healthcare professionals, allegations of wrongdoing related to multiple real estate appraisals, are just some of the types of complaints RICO is currently investigating. RICO staff must be ready to investigate and prosecute all types of conduct. While from 1995 to 2014, the number of licensees grew from 86,000 to 138,000, during that same time frame, the number of RICO employees did not increase proportionately. Training is also critical, with staff dealing with new issues and new licensing areas. In order for RICO to operate optimally, the division must have sufficient revenues to support full staffing, staff training, and database upgrades. As a temporary measure, in October of 2014, licensing fees and enforcement fees were increased to address revenue shortfalls. Permanent fee increases have been proposed and are currently in the rule-making process. New funds are needed to not only maintain the current level of service to the public, but to improve efficiencies needed to provide those services. Fees have not been increased since 1982 when the DCCA became self-sufficient.

Replacement of RICO’s Complaints Management System. The complaints tracking database used by RICO has been in use since the early 1980s, is no longer being supported by the manufacturer, and is in critical need of replacement. RICO relies on the “Complaints Management System,” or “CMS,” to keep track of complaints as they move through the various sections of RICO; to record information about legal actions taken by RICO; and to provide reports on RICO’s complaint processing activity. RICO also uses the CMS system to provide historical information about complaints and disciplinary actions. RICO plans to implement a comprehensive new system for creating and monitoring cases which will include online investigation report writing and a public facing website for consumers to file complaints. The agency believes efficiencies will go a long way in improving how cases are tracked and processed and will help improve case processing times. A more robust system will also allow RICO to track additional pieces of information which RICO hopes to use to track trends, to allocate resources, and to provide information to licensees about practices to correct.

Timely case processing. The complexity of RICO cases, the increase in the number of licensing areas, and the limitations on resources are hurdles the office must clear. While case processing continues to be an issue, new initiatives like early case resolution are helping to decrease the number of cases requiring expanded investigation. Staffing and replacement of the Complaints Management System will be critical to RICO's ongoing efforts in this area.

CRF Financial Summary

The CRF financial summary relating to RICO for FY2015 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$4,446,691	\$596,739	\$5,043,430	\$7,235,025

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.