

**2004 Annual
Compliance Resolution Fund Report
to the Legislature**



**DEPARTMENT OF COMMERCE
AND CONSUMER AFFAIRS**

STATE OF HAWAII

Table of Contents

	Page
INTRODUCTION	1
<i>OVERVIEW</i>	
<i>ACCOMPLISHMENTS and Websites</i>	
<i>CONCLUSION</i>	
BUSINESS REGISTRATION DIVISION (BREG)	4
<i>OVERVIEW</i>	
<i>ACCOMPLISHMENTS</i>	
<i>CONCLUSION</i>	
CABLE TELEVISION DIVISION (CATV)	10
<i>OVERVIEW</i>	
<i>ACCOMPLISHMENTS</i>	
<i>CONCLUSION</i>	
DIVISION OF CONSUMER ADVOCACY (DCA)	13
<i>OVERVIEW</i>	
<i>ACCOMPLISHMENTS</i>	
<i>CONCLUSION</i>	
DIVISION OF FINANCIAL INSTITUTIONS (DFI)	18
<i>OVERVIEW</i>	
<i>ACCOMPLISHMENTS</i>	
<i>CONCLUSION</i>	
INSURANCE DIVISION (INS)	23
<i>OVERVIEW</i>	
<i>ACCOMPLISHMENTS</i>	
<i>CONCLUSION</i>	
OFFICE OF ADMINISTATIVE HEARINGS (OAH)	31
<i>OVERVIEW</i>	
<i>ACCOMPLISHMENTS</i>	
<i>CONCLUSION</i>	

Table 1: Office of Administrative Hearings: CRF Activities – FY 00-01
and FY 01-02

	Page
OFFICE OF CONSUMER PROTECTION (OCP)	33
<i>OVERVIEW</i>	
<i>ACCOMPLISHMENTS</i>	
<i>CONCLUSION</i>	
Table 1: Laws Enforced by OCP	
Table 2: OCP Information Requests	
Table 3: Number of OCP Complaints Filed	
Table 4: Numerical Breakdown of Dispositions of All OCP Cases	
Table 5: OCP Complaints by Subject Matter	
Table 6: OCP Neighbor Island Assistance FY 2002	
 PROFESSIONAL & VOCATIONAL LICENSING DIVISION (PVL)	 46
<i>OVERVIEW</i>	
<i>ACCOMPLISHMENTS</i>	
<i>CONCLUSION</i>	
Table 1: PVL Statistical Overview	
Table 2: Total Number of Active and Current PVL Licensees	
 REGULATED INDUSTRIES COMPLAINTS OFFICE (RICO)	 57
<i>OVERVIEW</i>	
<i>ACCOMPLISHMENTS</i>	
<i>CONCLUSION</i>	
Table 1: RICO Consumer Resource Center Activity	
Table 2: Number of RICO Complaints Filed by Board, Commission or Program	
Table 3: Assistance Provided to the Public for other DCCA divisions by Neighbor Island RICO Offices in FY 2002	

INTRODUCTION

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OVERVIEW

The Department of Commerce and Consumer Affairs (DCCA) submits its Annual Compliance Resolution Fund Report. As mandated by section 26-9(o) of the Hawaii Revised Statutes, DCCA describes the use of the Compliance Resolution Fund (CRF) by presenting individual overviews of the functions and activities of the various DCCA programs funded by the CRF, and provides a financial summary of the expenditures made from the fund including personnel and operating expenses, as well as revenues received.

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

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

By Fiscal Year 1998-1999, eight DCCA programs were part of the CRF: Business Registration Division, Professional and Vocational Licensing Division¹, Regulated Industries Complaint Office, Office of Consumer Protection, and the Director's Office with its supporting offices of Administrative Services, Information Systems and Communications, and Administrative Hearings.² Act 129 SLH 1999, effective

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

² The Director's Office provides general policy and administrative leadership in supervising and coordinating the various department activities. Administrative Services provides the department programs with centralized budgeting, accounting, personnel management, and organizational analysis support as well as centralized clerical services. Information Systems and Communications provides system and technical computer support services for the various DCCA programs. Administrative Hearings conducts formal administrative hearings for the department programs and various attached boards and commissions, and also administers the Medical Claims and the Design Professional Conciliation Panels, and hears appeals of the State procurement code. The CRF financial summary for the Director's Office, Administrative Services, Information Systems and

July 1, 1999, expanded the CRF to include the Division of Consumer Advocacy, Division of Financial Institutions, and the Cable Television Division. Act 39, SLH 2002, effective July 1, 2002 merged the Insurance Regulation Fund, the primary funding source for the Insurance Division, into the CRF. Except for trust and special funds with dedicated purposes³, the CRF provides the sole source of funding for DCCA at calendar year end 2003.

ACCOMPLISHMENTS

The financial summary for the entire CRF for FY 03-04 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$19,291,997	\$8,719,044	\$28,011,041	\$33,174,580

Our financial strategy requires that revenues by division cover all expenses of that division for the fiscal year as well as a reserve to cover major improvements and anticipated operating expenses. This ensures solvency of the fund and continuation of mandatory services to the public. From the onset of the CRF, the primary goal was to fulfill this strategy and as a result, we were very conservative in our spending and reduced expenses by the elimination of offices.⁴ As a self-funded agency, DCCA makes no requests for general funds. Accordingly, our financial planning has taken into account current fiscal year expenses, and planning for future major projects and expenditures.

In the Information Technology (IT) area, the major accomplishment this year was the launching of the Hawaii Business Express (HBE). HBE is web based system to allow new businesses to file their applications in one place rather than with multiple state and federal agencies. The development of this system was a lead by DCCA in collaboration with the departments of Tax, Labor and the IRS. Other IT projects include: the change of computer systems to accommodate the new business type Limited Liability Limited Partnership (LLLP); allowing insurance agents to check the status of their continuing education credits on-line; and placing information about unaccredited degree granting institutions on-line.

DCCA’s Information Systems and Communications Office (ISCO) worked on the above systems, collaborating with DAGS-Information Communication Services Division (ICSD) and the Hawaii Information Consortium (HIC). Internally, ISCO completed the Insurance fraud module, currently used to track cases on motor vehicle insurance fraud. For Insurance, ISCO has also introduced two modules to automatically transfer information to and from the systems maintained by the National Association of

Communications, and Administrative Hearings for FY 03-04 is: Personnel Expenses \$2,504,643, Operating Expenses \$1,361,559, Total Expenses \$3,866,202, with Revenues Received of \$110,745.

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

⁴ The Hawaii Public Broadcasting Authority ("HPBA") was a program of DCCA until June 30, 2000, after which (and pursuant to Act 63 SLH 1999) all licenses and assets of HPBA were transferred to the non-profit Hawaii Public Broadcasting Foundation. The Hawaii Claims Office ceased operations under chapter 674, Hawaii Revised Statutes, in the fall of 1999.

⁶ HRS §476-31. OCP has also filed cases based upon the Federal Truth in Lending Act and the State’s usury statute, HRS Chapter 478.

Insurance Commissioners (NAIC). ISCO has also been working to catch up with day-to-day maintenance that had accumulated due to the prior year's building move. This maintenance included upgrades of PC and server software and the increase in storage space for electronic documents.

On-going at this time are 7 projects: 1) Enhancement to Business Registration's systems to speed up processing; 2) a redesign of DCCA's web site to improve access to information; 3) enhancements to DCCA's electronic leave system to improve its operation; 4) an upgrade of DCCA's 5 main database systems from AIX 4.3/Oracle 8i to AIX 5.1/Oracle 9i.; 5) the upgrade of the department's fiscal system; 6) filing of insurance rates and policies via the web; and 7) the update of insurance agent continuing education credits via the web. These projects are expected to be completed by early 2005.

In 2005, the department will be working to improve the ability for the public to search and find information within DCCA's various registration, licensing and complaint history systems. These systems were originally created on different computer platforms with a focus on a division's internal operational efficiency. Over the past five years, these systems have been moved from their legacy platforms to a single environment and connected to the web. The connection to the web has allowed for self service by the public and has proven successful where the public deals with one system only. For example, where the public wishes to create a new business or renew a license. However, when the public needs to look at related information for a business entity across multiple systems, the process can be difficult and can lead to an incomplete result.

Finally, the department will also be working to: 1) make Business Registration documents available on-line. This service would make documents that were scanned into Business Registration's document management system instantly available and provide an option to have legacy documents scanned and made available; 2) enhance the Insurance division's system. The insurance enhancements include: adding more interfaces to the NAIC; providing additional on-line services to update core information; and to allow new applications to be filed on-line.

CONCLUSION

The department has made a concerted effort to expand and improve its information technology foundation as a means to improve efficiency and effectiveness of our programs. We have moved from 49th to 3rd in the nation in E Commerce and Business, in the latest Digital States Survey. Considerable financial resources were needed as well as dedicated employees willing to re-invent government to better serve its clients and the public. We continue on this mission.

BUSINESS REGISTRATION DIVISION (BREG)

website: www.BusinessRegistrations.com

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OVERVIEW

The Business Registration Division (BREG) has two primary functions. Its ministerial duties include the processing and maintaining for public access registrations of corporations, general and limited partnerships, limited liability partnerships, limited liability limited partnerships, limited liability companies, trade names, trademarks and service marks. Its regulatory function includes substantive regulatory oversight of the securities industry in the State of Hawaii in the following areas: (1) licensing and registration of broker-dealers, securities salespersons, investment advisors, investment advisor representatives, securities and franchises offered for sale in the State, (2) examination of the books and records of broker-dealers, securities salespersons, investment advisors, investment advisor representatives, (3) examination of securities and franchises offered for sale in the State, and (4) the enforcement of the uniform securities act and the franchise investment law.

Composition

The division occupies offices located at 335 Merchant Street, Honolulu, HI 96813 on the second floors. In order to carry out the division's two primary missions, the division is segregated into three separate branches: (1) the Documents Registration Branch, (2) the Securities Compliance Branch, and (3) the Securities Enforcement Branch. These branches are supported by a fourth branch, the Office Services Branch. The division's staff includes attorneys, investigators, securities examiners, an auditor, business registration assistants and clerk-typists, legal stenographers, licensing clerical staff, clerical support staff and administrative staff.

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

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

The **Securities Enforcement Branch** enforces the uniform securities act and the franchise investment law in the State by taking action against those persons and/or firms both licensed and unlicensed who violate securities or franchise laws or purposely evade them. The branch has also worked in conjunction with other government agencies such as the Office of Consumer Protection and the Regulated Industries Complaints Office in DCCA, the Honolulu Police Department's White Collar Crime

Unit, the County Prosecutors' Offices, the U.S. Bankruptcy Trustee, and other federal and state securities and law enforcement agencies.

Documents Registration Branch

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

The Documents Registration Branch processed approximately 100,000 documents this year and maintains the public registry of over 98,000 active business entities. The active files include business entities that have been on record with the State for over 100 years. Information is also retained for business entities that have been dissolved or cancelled. Minimal information must be kept for these inactive files for the purposes of research, litigation, real estate transactions, and general business use.

As part of a comprehensive information systems plan to meet the increasing number of requests for services from the branch, the branch's computerized processing and data storage infrastructure was redesigned and reconfigured with the development of a new data storage and retrieval system to improve public access to records on file that allows for the electronic filing of documents. The new systems completed to date include: (1) a state-of-the-art imaging workflow system with public internet access to the record and (2) document filing and certification services via the internet.

The goal of the Documents Registration Branch is to become one of the fastest, most efficient, customer-oriented business registries in the nation. To accomplish this goal, the management identified and studied the "best practice" states in the country renowned for business registration services. Based on that study, the branch's ongoing objectives are to: (1) Review and implement policies and procedures designed to achieve a level of efficiency in processing document filings and information requests in a timely manner consistent with the "best practice" states, (2) Review and where appropriate modernize the business laws by making it track as closely as possible the most current versions of the uniform or model law, and (3) Implement an information system based on state-of-the-art imaging work-flow technologies that will also allow public access to records and electronic filing of documents over the internet.

Accomplishments

The Documents Registration Branch went live with a number of technological improvements over the last several years. The Business Registration Information Management System ("BRIMS"), a computerized data storage and retrieval system, replaced the old legacy Wang-based system with a state-of-the-art Oracle-based system. BRIMS complements the Registration Documents Processing Management System ("RDPMS") which is a computerized processing and recording system for all documents based on imaging work-flow technology.

The branch has worked with the Hawaii Information Consortium, the State's internet portal partner, to create a one-stop filing website at www.ehawaii.gov, where customers wishing to start a business can file once through the internet portal and register their business entity with the Department of Commerce

and Consumer Affairs, obtain a general excise tax number with the Department of Taxation, an identification number with the Department of Labor and Industrial Relations, and the federal employee identification number (“FEIN”) with the Internal Revenue Service. In addition, name searches and certificates of good standing requests can be currently done online. The certificates of good standing can either be mailed or be printed at your own printer with a unique identifying number to authenticate the certificate. Filing of annual reports/statements can be done online as well. Customized lists can be ordered online by subscribers to the internet portal that contain business registration information regarding all of the entities on record.

We have entered into statements of work with HIC that plan to: (1) make more forms available for online filing, (2) automate the name reservation and clearance function, and (3) online retrieval of archive documents. These projects are in various stages of development.

The legislation passed by the 2003 and 2004 Legislature and signed into law by the governor updates and modernizes the business law in Hawaii for corporations, limited partnerships and limited liability companies and continues the modernization process begun ten years ago. This has resulted in the most modern business law in the history of the State.

The branch continues to improve upon its web site that can be found at www.BusinessRegistrations.com and includes business registration information, forms, instructions, rules, and answers to frequently asked questions. We are the only business registry in the country that is seeking to create a brand identity through a URL. We are also one of the few business registries in the country with the technological and legal infrastructure in place that allows both online incorporation and annual filing, however, a growing number of other states have similar plans in the near future.

Securities Compliance Branch

The Securities Compliance Branch of the division is supervised by a Specialist who is responsible for the work of six examiners, five licensing clerical staff, and one secretary. The branch currently has approximately 56,000 securities salespersons and over 1,300 broker/dealer firms on record licensed to sell securities. In addition, the branch has over 41 state registered investment adviser firms and 1,069 registered investment adviser representatives on record. The branch also processed over 500 franchise offering circular filings and over 1,200 filings for the private placement of securities in FY04.

The goal of the Securities Compliance Branch and Securities Enforcement Branch is to become one of the most effective state securities regulatory agencies in the country. To accomplish this goal, the management identified state agencies renowned for effectiveness and respect as securities regulators based on input from industry organizations, the United States Securities and Exchange Commission, and the North American Securities Administrators Association.

Based on that study, the Securities Compliance Branch’s objectives are to: (1) Implement an on going comprehensive training program, (2) Implement a regular field examination cycle for registered broker/dealers and state registered investment advisers, and (3) Develop comprehensive investor education programs to improve investor awareness of and increase investor self-protection against investment fraud and abuse.

Accomplishments

The hiring of staff into new securities examiner supervisory positions was completed. In addition, we were able to fill nearly all vacancies for licensing clerks. The additional staff has contributed to the efficient management of the volume of applications and renewals received this year and maintaining an end to the broker/dealer salesperson application backlog. In addition, the recently added personnel continued to keep other backlogs low in pending applications for broker/dealers, investment advisers and their representatives.

The branch also expanded implementation of the new web-based Investment Adviser Registration Depository (“IARD”) to investment adviser representatives, which allows investment advisers and their representatives to file and renew applications electronically the same way that broker/dealers and their salespersons currently do over the CRD. The IARD was implemented simultaneously nationwide with all other state securities regulators and is designed to facilitate the registration process.

A field exam program cycle continued throughout the year to provide examinations of broker/dealers and state-registered investment advisers in Hawaii. Regular examinations are conducted of broker/dealers and state regulated investment advisors located on all islands throughout the State to provide on-sight review of compliance with the books and records requirements under Hawaii law.

The branch is also continuing its comprehensive training program for professional development of its securities examiners staff. Currently, the branch is supporting training leading to the Certified Regulatory and Compliance Professional from the NASD Institute for Professional Development.

Investor education continues to be another important mission, and substantial progress was made over the last year. The division implemented more investor education outreach projects that resulted in a number of televised programs, Neighbor Island outreach, appearances at a senior fair, and before various consumer groups by division staff. The division also partnered with the local chapter of the Securities Industry Association in sponsoring “Facts of Savings and Investment Week” and a regulator forum with the U.S. Securities and Exchange Commission and the NASD for Hawaii securities salespersons and registered investment advisers.

In January 2004, the division co-sponsored the Hawaii Stock Market Simulation with the Hawaii Council on Economic Education to provide a 10-week simulation which teaches student teams about stocks, bonds, and mutual funds through investing a hypothetical \$100,000 using a computer program that used the actual stock market data. The simulation was offered to Hawaii’s students free of charge and was designed to teach students how to invest wisely and develop a strong portfolio. In conjunction with the Hawaii Stock Market Simulation, the division also worked with the Hawaii Council on Economic Education to offer Hawaii’s teachers with Investing Basics workshops on Oahu, Maui, and the Big Island.

The division retained the Department of Education, Office of Information & Telecommunication Services, Teleschool Branch to produce a 6-part investor education talk show series following in the footsteps of our highly successful six part documentary series called “Financing Your Future I,” which initially aired in 2001, and 12-part follow up series called “Financing Your Future II,” which initially aired in 2002. All three series were aired throughout the year and continue into the next fiscal year at different times and on different days to maximize exposure to the programs.

The division also distributed 26 individual brochures and one booklet covering a wide range of investor education topics from how to select an investment profession to how to avoid scams and fraud for

handout at presentations and fairs. On-site presentations and lectures reached over 2,000 persons during the year at the University of Hawaii Manoa and Hilo campuses, town hall meetings, community centers, retirement centers, community colleges, and high school and middle school classes.

Securities Enforcement Branch

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

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

Based on the above-referenced study of the most effective state securities regulatory agencies in the country, the Securities Enforcement Branch's objectives are to: (1) Implement a comprehensive training and development program that includes extensive cross-training (for all employees of both securities regulatory branches) and outside training courses and conferences, including training with other securities regulatory agencies, particularly those provided by invitation from the U.S. Securities and Exchange Commission and National White Collar Crime Center, (2) Develop closer working relationships with other law enforcement agencies like local police departments, local prosecutors' offices, the Federal Bureau of Investigation, and the Internal Revenue Service in order to coordinate law enforcement activities between agencies and programs in securities enforcement cases where appropriate, (3) Develop closer relationships with the media to engage their assistance in raising public awareness of and increase self-protection against potential securities fraud and abuse by reporting on enforcement issues and cases, and (4) Develop and implement a more useful case tracking system that will monitor progress of cases more effectively and measure the impact of the professional training program.

Accomplishments

As a result of the enforcement work of the branch, the division issued five (5) Orders to Cease and Desist, obtained five (5) final orders, three (3) consent orders, two (2) consent agreements, and three (3) judgments in fiscal year 2004. The staff was required to prepare for and attend numerous hearings and court appearances. These appearances took place before the Administrative Hearings Office of the Department of Commerce and Consumer Affairs and in the Circuit Courts of the State of Hawaii and U.S. District Court.

The Securities Enforcement Branch and the Securities Compliance Branch continued to implement an extensive and comprehensive training program that includes: (1) Cross-training with personnel from each branch who teach personnel in the other branch about what they do and how, (2) Outside training in

the form of seminars and conferences specifically aimed at improving skills and achieving more effective regulatory actions, and (3) Frequent interaction with regulators in other states. The training and interaction continued to result in more focused enforcement with attention on more effective regulatory impact to improve the integrity of the marketplace through the use of conduct remedies and monetary penalties. Currently, the branch is supporting training leading to the Certified Fraud Examiners designation for investigators and the Certified Regulatory and Compliance Professional from the NASD Institute for Professional Development for attorneys.

The branch continues to issue press releases and work with the department communications director in order to publicize regulatory actions and raise public awareness of and increase investor self-protection against potential investment fraud and abuse. The result has been more visibility in the community for enforcement efforts.

The branch continues to monitor the progress of its cases. This has been made easier by the implementation of the Complaints Management System (“CMS”), a new case management tracking system. The result has enabled more efficient and effective control of the caseload overall. The additional training, focused procedures and approach, and more media exposure with its intended deterrent effect enabled the branch to conduct more effective regulatory oversight of the securities industry and securities fraud in the State. During the past fiscal year, the branch assessed approximately \$4,255,000 and collected \$3,718,000 in fines and penalties; two (2) seven-year bars and three (3) permanent bars. Of the fines and penalties collected, \$3,625,000 was from settlements of a multi-state initiated investigation of trading practices from 1996 through 2001, primarily in the area of misleading research coverage of in-house underwritten initial public offerings, of certain investment banks.

Finally, the branch is in the process of pursuing extension of the Tax Intercept Program with the Department of Taxation to garnish state tax refunds for delinquent fines and penalties assessed as a result of securities law enforcement actions.

The CRF financial summary relating to BREG for FY 03-04 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$3,270,014	\$1,517,551	\$4,787,565	\$11,745,280

CONCLUSION

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

CABLE TELEVISION DIVISION (CATV)

website: www.hawaii.gov/dcca/catv

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OVERVIEW

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

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

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

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

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

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

COMPOSITION

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

ACCOMPLISHMENTS

Plan for Public, Education, and Government (“PEG”) Access – After a year of public meetings on different islands, consideration of the testimony submitted and review of the comments in response to the draft plan, DCCA finalized its PEG Access Plan in January 2004. The Plan sets forth a guide to the future development of PEG access television in Hawaii and DCCA's view on the present agreement with the PEGs and proposed ideas for future agreement.

Cable Advisory Committee (CAC) – DCCA reconvened the CAC which had been dormant for many years. The CAC first met again in June of 2004 and plans to hold its meetings on each of the major islands so that residents of each of the islands will have easier access to meetings. The CAC is established by statute to advise the Director and cable operators on cable matters.

Consultant's Report on Franchise Fee Collection – DCCA contracted with a certified public accounting firm to conduct a review of the franchise fee payment by the cable operators for each of the different franchise areas. The reports were completed in 2004 and determined that there were over-collections in most franchise areas as well as under-collection in one franchise area. DCCA is working on decisions and orders to allow for a return of the over-collected amounts by the cable operator to subscribers.

Review of Public, Educational and Governmental (PEG) access organizations – DCCA commenced an independent third party review of all PEGs during the fall of 2004. On-site reviews of each PEG by the independent consultant focused on contract compliance, by-law compliance, timely complaints resolution, financial management and accounting, and equipment use and maintenance.

Direct Broadcast Satellite (DBS) Service – CATV continues to advocate for equivalent DBS service for Hawaii and maintains its on-going efforts before the Federal Communications Commission (“FCC”) to ensure that DBS service to Hawaii is equivalent in programming and pricing to the service found elsewhere in the continental United States. Due to our efforts and those of Senator Daniel Inouye, DBS service is currently available in Hawaii but not at levels found on the mainland. Echostar – DishNetwork has made significant progress in their service offerings, including local-into-local service. Our most recent efforts

have been focused on DirecTV which has not offered equivalent services that are available on the mainland. We will continue to lobby for and demand equal treatment by DBS providers.

Institutional Network (“INET”) – CATV continues its leadership role in the development, expansion and enhancement of the INET. Working with the Information, Communications and Services Division (“ICSD”) of the Department of Accounting and General Services, the University of Hawaii (“UH”) and the Department of Education (“DOE”), CATV is actively participating in the upgrade of the INET that will leverage Dense Wave Division Multiplexing (“DWDM”) technology. This upgrade will dramatically improve the capacity and performance of the INET. The ability to efficiently and effectively provide broadband telecommunications services to government agencies will greatly improve the level of service to our residents. The interconnection of the islands of Oahu, Maui and Hawaii via submarine fiber provides the UH, DOE and ICSD with seamless, broadband networking capabilities between these islands. The island of Kauai was recently integrated into this statewide submarine fiber network. The State, UH, and DOE now have access to a seamless, broadband telecommunications network that interconnects all our major islands. The State’s INET is currently one of the most sophisticated networks in the nation.

The CRF financial summary relating to CATV for FY 03-04 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$229,684	\$496,909	\$726,593	\$1,391,802

CONCLUSION

The year 2004 was a remarkable year for CATV, due in part to the rapid development of advanced technology by cable companies. The continued deployment of fiber to node architecture provided increased bandwidth capacity for traditional services such as video programming as well as for new interactive and digital services. Thus, given the nascent nature of digital technology relative to cable, CATV had and presently has the continuous task of monitoring the public’s present needs and future interests.

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

DIVISION OF CONSUMER ADVOCACY (DCA)

website: www.hawaii.gov/dcca/dca

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

OVERVIEW

The Division of Consumer Advocacy (Consumer Advocate or DCA) represents the interests of consumers of utility, and transportation services before regulatory agencies, primarily the Hawaii Public Utilities Commission (PUC), and also the Federal Communications Commission (FCC), and the Federal Surface Transportation Board. DCA reviews requests for rate/tariff changes, capital improvement projects, integrated resource plans, issues regarding competition in the telecommunications and electric industries, certificates to operate, and other applications filed with regulatory bodies by utility and transportation companies. In representing the consumer before the PUC, the DCA must analyze financial and statistical data, prior docketed material, industry standards, and the information provided by the utility and transportation companies to support their applications. After analyzing the information, DCA must submit written statement of position or testimony explaining the analyst's analysis, findings, and recommendations to the PUC. Oral testimony by DCA analysts, subject to utility company cross examination, is required if an evidentiary hearing before the Commission is required to resolve differences between the utility and DCA.

Composition

The DCA consists of 23 employees, ranging from administrator, secretary, utilities/transportation officer, utilities/transportation specialist, IRP and telecommunications specialists, economist, statisticians, tariff analyst, auditors, engineers, attorneys and clerical support. DCA is located on the third floor of the King Kalakaua Building, 335 Merchant Street. Mailing address is P.O. Box 541, Honolulu, HI 96809; phone number: 586-2800; internet address: www.hawaii.gov/dcca/dca.

DCA is comprised of the Financial Analysis Branch, the Economics and Pricing Branch, the Engineering Branch, and a Legal Branch.

The *Financial Analysis Branch* examines and analyzes the financial accounts, records and transactions of public utility and transportation companies under differing financial and operational assumptions. This data is utilized in developing projections of companies' operating expenses and rate base for rate-setting purposes. The Branch evaluates the allocation of common costs by analyzing the allocation methodologies to detect discriminatory allocation practices of expenses common to both the regulated and non-regulated operations. The Branch reviews current accounting pronouncements to ensure the compliance in the financial information presented by the regulated companies.

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

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

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

DCA has four exempt staff positions—the Public Utilities/Transportation specialist, Integrated Resource Planning (IRP) specialist, Telecommunications specialist and the Education specialist. The Public Utilities/Transportation specialist assists the Public Utilities/Transportation Officer in managing the overall work pertaining to matters filed before the regulatory agencies such as the PUC and FCC. The IRP specialist focuses on filings pertaining to the electric companies and has primary responsibility for reviewing the integrated resource plans and related demand side management programs applications. The telecommunications specialist focuses on filings pertaining to the telecommunications industry.

DCA also includes an Education specialist who is responsible for educating consumers about their rights, monitoring consumer complaints filed with the regulatory agencies, and attending public hearings and neighborhood board meetings to gain public input about specific issues affecting consumers such as the undergrounding of utility power lines. The Education Specialist is also responsible for updating and maintaining the Division's web site content.

ACCOMPLISHMENTS

In 2004, results of the Division's efforts to protect and advance the interests of consumers were seen through its work on behalf of individual communities, as well as major utility issues that will have far-reaching impacts on people throughout the state. Several of these efforts are described below.

Kauai Island Utilities Cooperative

The Division recommended that the Public Utilities Commission (PUC) approve the Kauai Island Utilities Cooperative's (KIUC) request to enter into long-term debt so that it could purchase the Kauai Power Partners (KPP) generation facility. Prior to this transaction KIUC was purchasing power from KPP under the terms of a purchased power agreement that was approved by the PUC. This transaction benefits KIUC's customers by allowing the utility to have full ownership of one of its most stable and economical power producing sources. By requiring additional follow up filings from the utility, the Division and the PUC will be able to assess whether further actions need to be taken to reduce existing rates, while ensuring that the company can meet the debt service requirements of its lenders.

Hawaii-American Water Works

Hawaii-American Water Works treats the wastewater in East Honolulu, primarily Hawaii Kai. The company initially requested PUC approval for an across the board rate increase of 18.6%. Based upon its analysis, the Division found this request unsupported, and negotiated with the company a reasonable and supported increase of 3.47%. Through the Division's efforts, people in East Honolulu are enjoying significant savings in their wastewater treatment costs.

Puhi Water and Sewer Company

Puhi Water and Sewer Company (Puhi) provides wastewater services for a real estate development near Lihue, Kauai. Puhi initially sought PUC approval for a rate increase of 126.5%. This would have raised the average residential rate from \$34.00 per month to \$77.00 per month, with even greater increases for industrial and commercial customers. The requested percentage increase in the rates to be charged for treating the wastewater was significant because the company had not raised rates for over ten years. During the public hearing on Kauai, ratepayers were particularly concerned with the stress and undue hardship such a dramatic increase may cause (commonly referred to as “rate shock”). In the end, the Division negotiated to reduce the increase of rates to 69%, significantly lower than the company’s original request. To address the rate shock concern, the Division also successfully negotiated a rate design that would allow the increase to be phased in over a period of three years.

Emergency 911 Services Provided by Wireless Telecommunication Carriers

The Division was an active participant in working groups that identified issues relative to an order issued by the Federal Communications Commission (FCC) mandating that enhanced 911 (E-911) service be provided by wireless telecommunication carriers. As part of these working groups the Division was able to provide valuable input regarding such issues as associated cost recovery and support to ensure that public service answering points are able to process the wireless E-911 calls as intended by the FCC mandate. These collective efforts led to a legislative proposal that became Act 159 during the 2004 legislative session. The Act implements a wireless E-911 system designed to route emergency calls to emergency responders along with the wireless callers identification and location. Act 159 also establishes a Wireless Enhanced 911 Board that oversees the collection and distribution of money collected by the E-911 special fund. The new law also designates the Executive Director of the Division as a member of the board.

Distributed Generation and Competitive Bidding

In October of 2003, the PUC initiated two dockets to examine the potential benefits and impacts of distributed generation on Hawaii’s electric distribution systems and market, and to evaluate competitive bidding as a mechanism for acquiring or building new generating capacity in Hawaii. Distributed generation involves the use of small-scale electric generating technologies installed at, or near the end user’s location. The objective of this proceeding is to develop policies and a framework for distributed generation projects deployed in Hawaii. The competitive bidding process has been widely implemented throughout the United States, and may serve as an alternative for Hawaii to facilitate wholesale market competition and enhance the potential for higher efficiency and lower costs for its electric industry. The Division has been actively engaged in developing recommendations for the PUC in both dockets by researching and analyzing the many policy and technical issues involved, while ensuring that the interests of Hawaii’s consumers are protected. In this vein, the Division strives to ensure the provision of continuous reliable service at reasonable costs, while at the same time advancing the state’s energy objectives.

Integrated Resource Planning

Integrated Resource Planning (IRP) is a means for each energy utility to forecast their customers needs and then create a “blue print” that outlines the actions necessary to meet the energy needs of its customers, both in the short (i.e., next 5-year period) and long term (i.e., next twenty-year period) at the lowest reasonable cost. This blue print will outline the capitol improvement projects necessary to ensure an adequate supply of energy and look at ways to reduce customer’s energy needs through Demand Side Management programs. The plan must comply with governmental laws, such as the state’s energy policy, and be approved by the PUC. The plan thus serves as the guide for future utility projects and plans.

The IRP process is critical to the planning of Hawaii’s energy future and must encompass many issues, often considered in isolation, as part of an integrated whole. Among the issues that must be thought out, worked through and integrated into a cohesive plan are those dealing with the construction of new central generation, development of renewable energy resources, distributed generation, interconnection to the utility’s transmission and distribution system, purchased power, and transmission system needs. The IRP process is a docketed matter before the PUC and as such the Division is actively involved in the development of the utility’s IRP through participation on various advisory groups, related committees and through attendance at public hearings to ensure that consumer interests are well represented.

Hawaii Energy Policy Forum

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

Capital Improvement Project (CIP) Filing threshold

The requirement for utilities to file for approval of their CIPs was established to reduce the time spent in rate cases attempting to ascertain that the plant in service balances represent the costs of projects deemed used and useful for the provision of public utility service. It allows for the review of CIPs in years between rate case filings, thereby better distributing the work of the PUC and the Division. Without the CIP review process, the PUC and the Division would be required to analyze the reasonableness of all plant additions subsequent to the test year of the last rate proceeding. The CIP filing threshold was set at \$500,000 in 1966. Based on a stipulation between the Division and Verizon Hawaii, the PUC raised the threshold to \$2,500,000, recognizing that “the cost of materials, supplies, equipment, and labor utilized in utility capital expenditure projects has increased in the forty (40) years since the \$500,000 threshold was initially established.” The increase of the threshold, along with agreed upon additional reporting requirements, will provide for continued efficiency in the Division’s operations, while maintaining its ability to protect the interest of ratepayers.

Standard Rate Applications for Small Utilities

During the 2004 legislative session the Division proposed and worked to ensure the passage of Act 168, which streamlines and expedites the rate filings of public utilities with annual gross revenues of less than \$2,000,000. Passage of this legislation was significant because it will reduce the time and cost involved in filing rate cases by smaller utilities through the use of a standard form application that requires the provision of specific information supporting the requested rate adjustment. It also encourages these smaller utility companies to file for smaller increases over shorter periods of time rather than submitting infrequent requests for large increases. Increasing the frequency of rate case filings benefits consumers, because it avoids the "rate shock" that large, across the board increases cause, while at the same time allowing the utility to timely recover its operating and capital costs, thus ensuring the provision of reliable service. Additionally, standardizing these applications allows the PUC and the Division to utilize their resources more efficiently.

In addition to the above proceedings, during FY 03-04 the Consumer Advocate reviewed 144 motor carrier tariff change requests, and 129 non-rate applications, such as applications for capital improvement projects, purchase power agreements, and certificates of public convenience and necessity.

The CRF financial summary relating to DCA for FY 03-04 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$1,091,541	\$1,084,490	\$2,176,031	\$2,518,516

CONCLUSION

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

DIVISION OF FINANCIAL INSTITUTIONS (DFI)

website: www.hawaii.gov/dcca/dfi

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

OVERVIEW

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

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

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

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

Composition

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

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

ACCOMPLISHMENTS

Move to King Kalakaua Building. In November, 2003, DFI, along with the rest of the DCCA, completed the move from its former location in the Princess Victoria Kamamalu Building on Richards Street, to its new location in the King Kalakaua Building on Merchant Street. The combined efforts of all DFI staff members expedited the process and resulted in a well-coordinated, successful move with little or no disruption of DFI's activities, including the services that DFI provides to the public.

Ongoing Efforts to Overhaul the Escrow Depository Law. Following a complete review and redraft of portions of Chapter 449, Escrow Depositories, Hawaii Revised Statutes (HRS) by DFI's legislative team in 2003, a bill to comprehensively amend HRS Chapter 449 was introduced in the 2004 Legislative Session. Among significant revisions, the bill included provisions to: authorize a limited liability company to be licensed as an escrow depository; enhance the confidentiality of escrow depository records filed with DFI; provide for more thorough background investigation, including fingerprint checks, for key personnel; adjust the required amount of an escrow depository bond in line with the number of branches operated by an escrow depository; require a mandatory disclosure of risks to escrow parties when escrow funds are deposited in sweep accounts; and simplify the procedures for voluntary termination of business. While the measure was not enacted in 2004, DFI has continued to meet with industry representatives to discuss the issue.

Implementation of Federal Laws Continue to Expand DFI's Regulatory Role. In recent years, Congress enacted several important laws that significantly impact the financial services industry, including the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 (GLBA), to address the modernization of that industry, as well as the security and confidentiality of customers' nonpublic personal information; the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA Patriot Act), to address terrorism in the aftermath of the September 11 tragedy; and the Sarbanes-Oxley Act of 2002, to address corporate governance issues raised by the Enron and other corporate scandals.

GLBA removed legal barriers between the banking, securities and insurance industries, necessitating increased communication and cooperation between DFI and other state and federal agencies. It also established new financial privacy standards for consumers.

The USA Patriot Act contains provisions that update the federal Bank Secrecy Act by requiring financial entities, such as banks, finance companies, etc., to establish procedures and programs to detect and report money laundering activities and prohibit the financing of terrorist-related activities.

The Sarbanes-Oxley Act mandates public companies to, among other requirements, maintain auditor independence, strengthen corporate responsibility of financial reports and enhance corporate financial disclosures. This law also requires conflict of interest disclosure by analysts, and imposes corporate and criminal fraud accountability.

These are significant federal laws which will continue to have an ongoing impact on the financial services industry. DFI therefore continues to enhance its programs and train its staff to implement these federal laws relating to privacy for consumer financial information, money laundering and corporate governance.

DFI's Emergency Preparedness Program. As a direct result of the tragic events of September 11 and its aftermath, DFI continues to plan, implement, and maintain multiple level Emergency Preparedness contingency plans. Maintaining and safeguarding the adequate supply of currency to the public as well as efficient access to deposit accounts is the main objective of these plans. As the overall State of Hawaii coordinator for all the financial institutions operating in Hawaii, DFI has expanded the original concept (Air Transport Contingency Plan) developed last year by the Financial Institutions Liaison Team (FILT). In 2004 the FILT, under DFI guidance, developed, implemented and tested a statewide emergency communications plan which included all Hawaii financial institutions, with particular emphasis on the depository companies. DFI will continue to work with the State's financial institutions, Hawaii State Civil Defense, federal regulators, Federal Aviation Authority, the Hawaii Bankers Association, and the Hawaii Credit Union League and others to ensure that robust and comprehensive emergency preparedness plans are developed, implemented and maintained going forward.

Regulation of Money Transmitters Industry in Hawaii. DFI drafted a Bill, introduced in the 2004 Legislature, which proposed the registration of money transmitters doing business at locations in this State. That legislation had the support of many of the principal money transmitters currently operating in Hawaii, along with local and federal law enforcement authorities and the Department of the Attorney General. Rather than enact the measure, the 2004 Legislature adopted a concurrent resolution requesting the Legislative Auditor to conduct a review of the need for regulation of this industry, as is required by law when new regulation is proposed for a currently unregulated industry. While the Auditor concluded that no regulation of the money transmitter industry in Hawaii appears necessary at this time DFI strongly believes that the Auditor's report did not adequately consider the use of money transmitters to facilitate the financing of criminal activities and potential terror related events. In addition, the vulnerabilities of legitimate consumers that utilize these services are also of continuing concern.

Examination Program for Large Banks. During FY 03-04, DFI continued to modify its examination program for Hawaii's two largest banks. The new program requires DFI's examination staff to be available for on-site reviews and examinations for those banks throughout the year rather than once a year. DFI works closely with the Federal Reserve Bank of San Francisco on joint year-round type targeted examinations of Bank of Hawaii. DFI also continues to work closely with the Federal Deposit Insurance Corporation on the joint year-round "large-banks" examination of the First Hawaiian Bank. DFI has also improved its Off-Site Monitoring program to enhance its ability to detect significant trends or deviations in the safety and soundness components of the depository financial institutions it regulates and in due course plans to extend the program concept to other groups it regulates.

Waiver of Examination Fees and Costs. The Hawaii State Legislature through Act 182, 1999 Session Laws of Hawaii, mandated an annual deposit on June 30 of each fiscal year of \$2.5 million from the franchise tax collected under HRS Chapter 241 to the Compliance Resolution Fund (CRF) for the support of DFI's program. The deposit from the franchise tax collections was reduced to \$2 million beginning in FY 2001-2002. In a prior fiscal year, the franchise tax collected was less than the franchise tax refunded resulting in a negative amount for the net franchise tax. For this past fiscal year, DFI received \$2 million on June 30, 2004 from franchise taxes to fund its program for FY 2004-2005. With adequate revenues to support the Division from these funds, DFI suspended collection of Hawaii financial institution hourly examination fees and costs which reimburse DFI for out-of-pocket examination expenses and thereby lessened the financial costs of state regulation on Hawaii financial institutions.

Post-Fiscal Year But of Significance for Year 2004

Merger of Central Pacific Financial Corp. (“CPF”) and CB Bancshares, Inc. (“CBBI”). On July 30, 2004, the Commissioner of Financial Institutions issued a Decision and Order approving the merger of CPF and CBBI, the parent companies of Central Pacific Bank and City Bank respectively, representing the culmination of a process that began as a contentious acquisition of control of CBBI by CPF in April, 2003. DFI staff had worked on this complex acquisition and merger for more than one year, which included the holding of a two-day information and comment proceeding in December, 2003, at which the general public and other interested parties had an opportunity to submit testimony and express diverse viewpoints on the proposed acquisition. After carefully reviewing all submitted filings including supporting financial data, DFI reached the conclusion that the proposed merger would not jeopardize the safety and soundness of either financial institution and was not contrary to public interest. As such, the Commissioner’s Decision and Order of July 30, 2004 represented the successful, and ultimately amicable, resolution by these two institutions of the largest such merger in Hawaii’s financial services industry.

Check 21. A federal law entitled Check Clearing for the 21st Century Act (“Check 21”), which was enacted on October 28, 2003, took effect on October 28, 2004. The law will permit financial institutions to expedite the clearing of checks by electronic imaging and through the use of substitute paper checks that are the legal equivalent of the original checks from which they are derived. The law is expected to directly impact consumers who may no longer receive their original canceled checks, and who may initially be unprepared for the faster time in which it is expected that checks will now be cleared. DFI conducted staff training on Check 21 in 2004 so that its staff will be well informed and able to respond to inquiries or complaints from the public regarding the new check clearing procedures. DFI also directly contacted all Hawaii financial institution chief executives and requested that they ensure their systems were fully prepared for the Check 21 conversion and that their personnel were able to effectively and knowledgeably deal with expected consumer inquiries about the changes Check 21 will bring.

Bounce Protection. The Federal Reserve Board in June, 2004 issued a proposed amendment to Regulation DD, which implements the Truth in Savings Act, in conjunction with proposed interagency guidance by all of the federal financial institutions supervisory agencies regarding a service currently offered by many depository institutions and which is commonly referred to as “bounced-check protection.” The federal regulators have concerns that some financial institutions may not be adequately disclosing to their customers pertinent facts about this service, including its true cost and the availability of alternative overdraft protection services that may be less expensive for consumers to utilize. Some institutions also may not be affording their customers an adequate opportunity to opt out of their bounce protection service. In July, 2004, DFI conducted a survey of bounce protection practices among the depository financial institutions that DFI supervises, to determine the extent to which Hawaii depository institutions are offering this service, and to gauge the adequacy of the disclosures being made to Hawaii customers by local institutions about this service. DFI is currently reviewing information developed by the survey.

Educational Outreach to Industry and Public. During 2004 DFI and the Federal Deposit Insurance Corporation (“FDIC”) and/or other federal financial institution supervisory agencies conducted a number of outreach activities for the benefit of industry and the general public. These included a full day Homeland

Security Briefing for all financial institutions operating in Hawaii, a seminar explaining requirements for financial institutions under the Bank Secrecy Act and a Director’s College which outlined the various duties and standards for new directors of financial institutions. Selected members of DFI’s staff also participated in a “train the trainers” workshop conducted by the FDIC in connection with its innovative “MoneySmart” financial education program. The training will enable those DFI employees to go into the community to make presentations to targeted and/or interested groups that may benefit from this educational program about banking, such as recent immigrants and other unbanked or under-banked groups, who may have little or no familiarity with the U.S. banking system.

In November, 2003, the Commissioner attended an annual meeting of the Association of Financial Supervisors of Pacific Countries (AFSPC) in Fiji. At this meeting, the Commissioner sought opportunities for Hawaii to play a part in the future activities of this group by promoting its regulatory expertise (representing both the State of Hawaii and the Federal Reserve Bank of San Francisco) in training Pacific Island financial institution examiners, money laundering investigators, etc. Hawaii has now been accorded formal Observer status in the AFSPC. In 2004, the Commissioner pursued efforts to arrange for AFSPC’s 2005 meeting to be held in Hawaii. While the association ultimately selected another location for its 2005 meeting, the AFSPC has expressed interest in holding its 2006 annual meeting in Honolulu.

The CRF financial summary relating to DFI for FY 03-04 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$1,466,944	\$272,545	\$1,739,489	\$2,239,073

(Note: FY 99-00 was the last year that DFI received general funds support.)

CONCLUSION

During FY 03-04, in addition to its established regulatory and licensing programs, DFI successfully continued to develop and implement examination programs necessitated by new federal legislation and changing circumstance in the industries regulated by the Division. Further, DFI continues its Off-site Monitoring program to maintain standards essential for the Division’s continued accreditation by its industry professional association, the Conference of State Bank Supervisors (CSBS).

The implementation of more new federal legislation as well as the rapid evolution of technologies and products in the financial services industry, continue to provide DFI and the Hawaii financial institutions it regulates and supervises with ongoing compliance challenges. New areas of emphasis such as money laundering, mortgage related consumer compliance issues and homeland security, added to the Division’s traditional concern with the safety and soundness of regulated institutions, have created an increasing workload for existing staff. All of these factors require DFI to aggressively employ its resources to more effectively deal with these changes while at the same time maintaining the strength and safety of our State-chartered financial institutions and protecting the rights of depositors, borrowers, consumers and other members of the community.

INSURANCE DIVISION (ID)

website: www.hawaii.gov/dcca/ins
 e-mail address: insurance@dcca.hawaii.gov

OVERVIEW

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

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

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

	<u>@ 6/30/04</u>	<u>@ 6/30/03</u>
Insurance Companies.....	963	962
Captive Insurance Companies.....	130	112
Producers.....	6,515	7,049
Limited Lines Producers.....	438	0
Ltd. Lines Motor Vehicle Rental Co. Producers.....	13	7
Nonresident Producers.....	11,275	7,500
Surplus Lines Brokers.....	189	103
Adjusters.....	557	532
Fraternal Benefit Societies.....	6	6
Fraternal Benefit Society Producers.....	158	47
Mutual Benefit Societies.....	7	5
Health Maintenance Organizations.....	2	2
Independent Bill Reviewer.....	18	16
Service Contract Provider Registration.....	123	104
Vehicle Protection Product Warrantor.....	<u>10</u>	<u>9</u>
TOTAL.....	20,420	16,454

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

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

Composition

The Insurance Commissioner heads the Insurance Division (ID) and is assisted by the Chief Deputy Insurance Commissioner. The seven branches of the ID are:

Captive Insurance Branch. Hawaii's captive insurance industry began on May 29, 1986, when the Governor signed Act 253, which authorizes the Insurance Commissioner to license and regulate these specialized insurance companies. The Act was subsequently codified as Article 19, Chapter 431 of the Hawaii Revised Statutes. The initial intent of the enabling captive legislation appears to focus on providing local businesses with an alternative to the traditional commercial insurance market, and to also create a new industry that would help diversify the state's economy by attracting organizers from out of state and creating an infrastructure to service this special kind of insurance industry.

In 1998, the Captive Insurance Branch (CIB) was formally established by legislative mandate to provide dedicated resources to prudently monitor, regulate and develop Hawaii's captive insurance industry, as well as, to provide for the sustained development of this industry for Hawaii's economic diversification. Pursuant to statutes, the Insurance Commissioner transfers, at the end of each year, up to \$1.5 million of captive premium taxes and fees to the Compliance Resolution Fund to pay for expenditures contemplated by the captive insurance laws (HRS 431, Article 19). For the most recent fiscal year ended June 30, 2004, the CIB collected \$1.47 million, which will be transferred to Compliance Resolution Fund in FY 05.

The CIB is currently led by a Captive Insurance Administrator, and includes a Secretary, and 6 Captive Insurance Examiners. The CIB reports directly to the Insurance Commissioner and is responsible for all aspects of licensing, regulating and developing the captive insurance industry for the State of Hawaii. The size and scope of Hawaii's captive insurance industry has recently surpassed the size and scope of Hawaii's domestic insurance companies.

The growth and refinement of Hawaii's captive insurance industry is anticipated to continue for at least the next 10 years because of the continued hardening of the local, national and international insurance marketplace, the increasing sophistication and demands of businesses to better control their insurance costs, and the emerging need for better insurance products for Japanese and other Asian based risks.

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

Financial Surveillance and Examination Branch. The Financial Surveillance and Examination Branch (FS&E) conducts a continuous program of financial analysis and examination of Hawaii-domiciled insurance companies to assure compliance with laws and financial solvency in an effort to safeguard consumer interests and maintain professionalism in the industry. The work of the FS&E is subject to review by the National Association of Insurance Commissioners' (NAIC) Financial Regulation Standards and Accreditation Program (Accreditation Program). The NAIC Accreditation Program requires that insurance departments have adequate statutory and administrative authority to regulate an insurer's corporate and financial affairs, and that they have the necessary resources to carry

out that authority. Accredited insurance departments undergo a comprehensive review every five years by an independent review team to ensure they continue to meet baseline standards. The Hawaii Insurance Division was first accredited by the NAIC in 1996 and re-accredited in 2001. The FS&E is comprised of a manager, 7 examiners and 2 certification specialists.

Other work performed by the FS&E includes:

- reviewing the Uniform Certificate of Authority Application, filed by companies not domiciled in Hawaii, that are applying for authorization to transact the business of insurance in Hawaii;
- receives and audits premium tax statements from all domestic and foreign insurers;
- reviews and processes surplus lines premium tax;
- licenses and regulates self insurers;
- registers Risk Retention Groups and Risk Purchasing Groups; and
- conducts agency financial examinations when necessary.

Health Insurance Branch. The Health Insurance Branch (HI) is responsible for regulating health insurers, including health maintenance organizations and mutual benefit societies. The HI's primary responsibilities are: to receive inquiries and complaints pertaining to health insurance, including long-term care insurance; to receive requests from consumers for external reviews of a health plan's coverage decisions under the Hawaii Patient Bill of Rights and Responsibilities Act and to administer the external review process; to review premium rate filings of health insurers; and to conduct financial surveillance of health insurers. The HI also reviews advertising materials of long term care insurers. The HI is headed by the Program Administrator and has 10 other authorized positions.

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

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

Motor Vehicle Insurance Fraud Investigations Branch. The Insurance Fraud Investigations Branch (IFIB) conducts a statewide program for the prevention, investigation, and prosecution of motor vehicle insurance fraud cases and complaints relating to motor vehicle insurance fraud. The IFIB

reviews referrals submitted by the insurance industry, other agencies, and members of the public and initiates an investigation in all cases where there is reason to believe that a crime may have been or is currently being committed. In an effort to effectively fight insurance fraud, the IFIB coordinated efforts with both the Honolulu and Maui Police Departments and federal agencies. State law requires any insurer or insurer's employee or agent who believes that a fraudulent claim is being made to refer the case to the IFIB within 60 days. The IFIB also employs special deputy attorney generals to initiate criminal prosecutions. By employing deputies who are trained in insurance fraud, all cases receive prompt attention and representation in the criminal justice system. The IFIB has created a toll free insurance fraud hotline.

The IFIB consists of an administrator, 5 investigators, 2 forensic auditors, and a legal clerk, the administrator and 2 contract attorneys are designated as Special Deputy Attorney Generals and are responsible for initiating criminal prosecutions. By employing deputies who are trained in insurance fraud, all cases receive prompt attention and representation in the criminal justice system.

The IFIB endeavored to meet its statutory mandate to prevent insurance fraud by distributing copies of its informational brochure on the topic of auto insurance fraud to the community. During the fiscal year, more than 1000 brochures were distributed to private citizens, insurance companies, military, law enforcement, and state agencies.

One of the primary goals of the IFIB is to educate the public, insurance industry, and law enforcement about motor vehicle insurance fraud. To meet this objective, the IFIB conducted 12 informational presentations attended by more than 450 individuals. Presentations were conducted for insurance companies, the Adult Probation Officers, the Western States Auto Theft Investigators, Hawaii Claims Managers Association, the Hawaii Association of Insurance Women, and students from the University of Hawaii and Brigham Young University Hawaii.

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

Rate and Policy Analysis Branch. The Rate and Policy Analysis Branch (RPA) provides systems and procedures for the conduct and analyses of rate and policy filings of domestic, foreign and alien insurance companies for compliance with State insurance laws. The RPA reviews and approves rates for casualty, property, motor vehicle, inland marine, surety, credit life and disability and medicare supplement insurance used by companies in the sale of its policies to ensure that mandated coverages are provided and that the interests of the buyers are protected. RPA also reviews policy form filings for workers' compensation, motor vehicle, credit life and disability, medicare supplement, temporary disability and title insurance. The RPA is comprised of a manager and 8 rate & policy analysts.

ACCOMPLISHMENTS

Captive Branch. Since the creation of the CIB and the hiring of the Captive Insurance Administrator in 1999, Hawaii has become the premier domicile for captives in the Pacific Basin, and is

also second in the U.S., and within the top ten in the world. During this period, over 95 new companies were incorporated in Hawaii and granted licenses to operate as captive insurance companies. Captive organizers come mainly from the U.S. mainland, with about 12 owned by Hawaii companies, and about 6 by Japanese based companies. The organizers come from a diverse range of industries, including manufacturing, high technology, healthcare and medical, real estate ownership and development, construction, banking, insurance, transportation, petroleum and energy, and retail.

Following is a summary of information about Hawaii’s captive insurance industry for the last four (4) fiscal years (Note: dollar amounts rounded to the nearest \$1 million):

	<u>FY 2004</u> (Estimate*)	<u>FY 2003</u>	<u>FY 2002</u>	<u>FY 2001</u>
No. of Captive Insurance Licensees	130	112	89	78
Combined Total Assets	\$ 4,000*	\$ 3,957	\$ 2,851	\$ 2,052
Combined Total Capital and Surplus	\$ 1,500*	\$ 1,344	\$ 933	\$ 650
Total Premium	\$ 1,100*	\$ 1,057	\$ 1,086	\$ 538
Total Hawaii Investments	\$ 750*	\$ 741	\$ 524	\$ 384

Compliance and Enforcement Branch. Five hundred forty-three (543) complaints and request for assistance were received for the following classes of insurance:

MOTOR VEHICLE INSURANCE received the largest number of cases with 297 or 55% of the total. Of this amount, 242 cases involved claims and claims handling. Claims involving personal injury protection coverage (PIP) for medical and other related benefits accounted for 165 cases. From this amount, 144 were PIP cases where benefits were contested or denied by the insurer and referred for formal resolution by administrative hearing. In the area of material damage cases, 14 were collision, 4 were comprehensive, and 40 involved property damage liability cases, with 27 cases that involved other claims-related complaints. These 27 cases involved payment delays, coverage disputes, and settlement disagreements with repair or replacement of the damaged motor vehicle. Complaints other than claims included 29 in the area of premiums, 13 policy cancellations, four involving marketing and sales, and one refund. In addition to these categories, there were eight miscellaneous involving incorrect billing and policy adjustments, acknowledgment delays, and dissatisfaction with services rendered by agents and adjusters. One hundred forty-nine cases were resolved or referred to the appropriate agency for resolution. One hundred forty-four cases involved PIP denials and were referred for formal resolution by administrative hearing. Four cases remain pending.

LIFE/ANNUITY INSURANCE: There were 67 complaints received or 12% of the total. Of this amount, 29 involve possible misrepresentation and fraudulent transactions, 27 involved policy servicing, 6 involved claims and 5 involved underwriting (cancellations and nonrenewals). Sixty-two cases were resolved or referred to the appropriate agency for resolution. Five cases remain pending.

WORKERS’ COMPENSATION: There were 48 complaints received or 9% of the total. Of this amount, 37 involved claims and payment delay, and 11 involved underwriting (premium billing). Forty-seven cases were resolved or referred to the appropriate agency for resolution. One case remains pending.

FIRE/HOMEOWNERS INSURANCE: There were 33 complaint received or 6% of the total. Of this amount, 21 involved underwriting (rating, cancellations, and nonrenewals), and 12 involved claims. Thirty-two cases were resolved and referred to the appropriate agency for resolution. One case remains pending.

GENERAL LIABILITY: There were 32 complaints received or 6% of the total. Of this amount, 16 involved underwriting (refund, cancellations, and nonrenewals), 14 involved claims, and two involved marketing and sales. Twenty-eight cases were resolved and referred to the appropriate agency for resolution. Four cases remain pending.

MISCELLANEOUS: In addition to the above categories, there were 66 complaints received or 12% of the total, relating to other classes or matters of insurance (dental, disability, marine, motorcycle, surety, and miscellaneous). Sixty-three cases were resolved or referred to the appropriate agency for resolution. Three cases remain pending.

ASSIGNED CLAIMS PROGRAM: There were 105 applications for benefits to the assigned claims program that were received and reviewed. Of this amount, 74 applications were processed to servicing carriers for further handling.

PEER REVIEW: There were five challenges received and processed.

DISCIPLINARY ACTION: There were 34 formal actions filed that involved the Compliance and Enforcement Branch. Of this amount 14 Letter of Caution were issued, 17 stipulated agreements were entered into, two Cease and Desist Order was issued, one Revocation of License was issued. A total of \$162,500 was levied in fines.

Financial Surveillance and Examination Branch. To protect the policyholders, domestic insurance organizations, including insurers and risk retention groups, are regularly examined for solvency and compliance with the Hawaii Revised Statutes. Examinations which were conducted between July 1, 2003 and June 30, 2004 and for which reports have been officially filed are as follows:

DTRIC Insurance Company, Ltd.
 Fireman's Fund Insurance Company of Hawaii, Inc.
 Hawaii Employers Mutual Insurance Company, Inc.
 Hawaiian Insurance & Guaranty Company, Ltd.
 Pacific Guardian Life Insurance Company, Ltd.
 Automotive Underwriters Insurance Company, Inc. A Risk Retention Group
 Global International Insurance Company, Inc. A Risk Retention Group
 Health Providers Mutual Insurance Reciprocal, A Risk Retention Group
 National Guardian Risk Retention Group, Inc.
 National Service Contract Insurance Company Risk Retention Group, Inc.
 Professional Medical Insurance Risk Retention Group, Inc.

The Branch completed the following during the fiscal year.

- | | |
|-------------------------------------|----|
| • Foreign insurers licensed | 24 |
| • Mergers and acquisitions reviewed | 38 |
| • Risk purchasing groups registered | 9 |

• Risk retention groups registered	4
• Reviewed Service Contract Provider submission	124
• Annual premium tax returns received and audited	2,154
• Quarterly premium tax returns received	4,000

Health Insurance Branch. The Health Insurance Branch received inquiries and complaints pertaining to federal and state laws governing health insurance, including long-term care insurance. From July 1, 2003 to June 30, 2004, one hundred (100) complaints were received. Of the one hundred (100) complaints, ninety-one (91) were resolved. Of the remaining nine (9) complaints, the Health Insurance Branch had no jurisdiction for two (2) complaints, and seven (7) were referred to another agency. Of the total cases, forty-six (46) involved benefit payments; seventeen (17) involved miscellaneous issues such as unfair marketing and termination of coverage; fifteen (15) involved denial of coverage; fourteen (14) involved reimbursement timeliness; and eight (8) involved rate increases.

During the same period, the Health Insurance Branch responded to five-hundred-forty-two (542) formal inquiries. Three hundred forty-eight (348) were regarding obtaining health insurance coverage; forty-eight (48) inquiries were requests for information on health insurers; forty-six (46) were miscellaneous general health insurance questions; thirty-two (32) were regarding state regulations; fifteen (15) were regarding legal questions; twelve (12) were regarding mandated benefits; eleven (11) were regarding patients' rights; nine were regarding federal regulations; eight were regarding health insurance premiums; an additional eight were regarding health discount cards; and five were referrals to other government agencies (MEDQUEST, Medicaid, and Medicare).

To protect the policyholders, domestic insurance organizations, including mutual benefit societies and health maintenance organizations, are regularly examined for solvency and compliance with the Hawaii Revised Statutes ("HRS"). One examination was conducted between July 1, 2003 and June 30, 2004, which was for Hawaii Medical Service Association. The examination report has been officially filed.

In addition, the Health Insurance Branch reviewed premium rate filings of managed care plans pursuant to HRS Article 431:14F. The Health Insurance Branch also conducted independent external reviews of managed care plan coverage decisions that are appealed by the plan member pursuant to HRS Chapter 432E.

The Health Insurance Branch also reviewed long-term care advertising issued by long-term care insurers licensed in the state. The filings were reviewed for compliance with HRS §431:10H.

Motor Vehicle Insurance Fraud Investigations Branch. During fiscal year 2003-2004, the IFIB received 204 referrals. Of the total referrals, 110 investigations were opened. Eight referrals were made to other agencies. Criminal indictments against 38 individuals were obtained. The number of indictments obtained reflects a 23% increase from the previous fiscal year. Of the 38 individuals indicted during the fiscal year, 17 have been sentenced, and 21 have not reached the sentencing phase.

The dollar amount involved in actual and attempted fraud and theft cases sentenced by the IFIB equaled \$95,844. The value of the actual fraud and theft cases totaled \$24,900. The value of the attempted cases totaled \$70,944. Of those actual fraud and theft cases that reached final disposition during the fiscal year, the IFIB obtained restitution orders totaling \$37,585. As a result of all cases that

reached final disposition, the IFIB obtained fines payable to the State of Hawaii totaling \$12,000, payments in the amount of \$5,350 to the Crime Victim Compensation Fund, probation services fees in the amount of \$300, community service totaling 2100 hours, and \$4750 to the State General Fund.

Rate and Policy Analysis Branch. During the fiscal year, 2,617 rate filings and 3,513 policy filings were reviewed; in the preceding year, 3,385 rate filings and 3,558 policy filings were reviewed. The Rate and Policy Analysis Branch also reviewed and analyzed approximately 7,300 motor vehicle reports and statements.

Hawaii was the 40th state to begin accepting electronic form filings for life insurance products through the National Association of Insurance Commissioners' filing process known as SERFF. There were 477 electronic filings processed during the fiscal year as compared to 266 electronic form filings processed the preceding year.

The CRF financial summary relating to INS for FY 03-04 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$3,751,527	\$2,509,850	\$6,261,377	\$5,464,996

CONCLUSION

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

OFFICE OF ADMINISTRATIVE HEARINGS (OAH)

website: www.hawaii.gov/dcca/oah

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

OVERVIEW

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

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

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

Composition

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

ACCOMPLISHMENTS

The following table summarizes the CRF-related activities conducted by OAH for the 2002-03 fiscal year:

Type of Proceeding Conducted	Number
Pre-hearing conferences	135
Status conference	96
Motions	27
Hearings	133
Oral arguments on written exceptions	21

The following table summarizes the relative percentage of CRF-related activities conducted by OAH for the 2003-04 fiscal year, by referring Division of OAH

DCCA Divisions Referring Matters to OAH	Percentage
Insurance Division (denial of personal injury protection benefits)	50%
Regulated Industries Complaints Office (disciplinary proceedings)	35%
Office of Administrative Hearings (procurement protests)	6%
Professional and Vocational Licensing (license denials)	6%
Business Registration Division (trade name revocation proceedings, corporate name abatement proceedings, violations of securities laws)	4%

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

OAH is continuing the process of integrating the scanned copies of all board and commission final orders and recommended decisions into the comprehensive DCCA complaints management system which is near completion. Currently, the electronic documents have been compiled into discrete collections which have available to the general public upon request.

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

CONCLUSION

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

OFFICE OF CONSUMER PROTECTION (OCP)

website: www.hawaii.gov/dcca/ocp

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

OVERVIEW

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

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

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

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

Composition

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

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

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

OCP's investigation section receives cases from CRC and gathers evidence to determine whether violations of consumer laws have occurred. Investigators' tasks include site inspections, witness interviews, document collection, evidentiary analysis, report writing and the service of subpoenas. See Table 3, Number of OCP Complaints Filed; Table 4, Numerical Breakdown of Dispositions of All OCP Cases; and Table 5, OCP Complaints by Subject Matter for FY 2003-2004 statistics.

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

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

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

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

OCP also provides the following services:

Consumer Education

In an effort to enhance consumer awareness of various consumer problems, OCP continuously strives to promote consumer education. The office issues press releases on a variety of consumer topics, and prepares and distributes written materials to provide specific consumer information. OCP also offers a series of Consumer Dial messages dealing with a variety of landlord-tenant and general consumer protection issues. Interested parties can call 24 hours a day and receive information on a variety of topics. In addition, OCP staff has participated in numerous educational forums in which hundreds of consumers and business persons have received extensive information about consumer protection in Hawaii.

Neighbor Island Assistance Requests

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

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

ACCOMPLISHMENTS

Consumer Education

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

Cases

OCP handled several significant cases in 2004 involving nearly every area of consumer protection. It filed and resolved numerous cases relating to alleged violations of Hawaii’s laws governing unaccredited degree granting institutions, car rentals, airlines, credit practices, living trusts, sweepstakes and prizes, door-to-door sales, refund and exchanges, and unfair or deceptive trade practices. OCP’s involvement successfully resulted in recovering thousands of dollars in restitution for Hawaii consumers as well as obtaining injunctive relief and fines against violators. In several cases, OCP secured temporary restraining orders against violators of Hawaii’s consumer protection laws, successfully preventing them from continuing to harm and exploit Hawaii consumers.

Statutory Changes

New legislation governing the sale and use of gift cards has significantly enhanced consumer protection in this area. Effective July 1, 2005, card issuers will no longer be able to charge service fees or "dormancy fees" for card inactivity.

The CRF financial summary relating to OCP for FY 03-04 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$876,169	\$66,592	\$942,761	\$131,595

CONCLUSION

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

Table 1: Laws Enforced by OCP

HRS §209-9	Price Gouging
HRS §290-11	Towing
HRS §437	Motor Vehicle Sales – Spot Delivery
HRS Chapter 437D	Motor Vehicle Rental
HRS Chapter 446	Debt Adjusting
HRS Chapter 446E	Unaccredited Degree Granting Institutions
HRS Chapter 457G	Occupational Therapists
HRS Chapter 467B	Charitable Solicitations
HRS Chapter 476	Credit Sales ⁶
HRS Chapter 477E	Fair Credit Extension
HRS §480-2	Unfair and Deceptive Acts or Practices ⁷
HRS Chapter 480D	Collection Practices ⁸
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
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 ⁹
HRS Chapter 487A	Plain Language Law
HRS Chapter 506	Reverse Mortgage Loan
HRS Chapter 521	Landlord Tenant Code ¹⁰
ACT 146 (1999)	Check Cashing
Act 282 (1997)	Assistive Device Warranty Act
Act 222 (2000)	Service Contracts

⁷ OCP also has enforcement power over certain Lemon Law agreements (HRS §481I-4), and has filed lawsuits based upon HRS §486-119, “Made in Hawai‘i” law. Also HRS Chapter 514E sets forth a comprehensive regulatory scheme for time-share development, sales and maintenance. However, there is a section which makes thirteen specific types of conduct *per se* violations of HRS §480-2. Under HRS §490:2A-104, UCC leases are explicitly subject to state consumer protection statutes and case law.

⁸ See also, Collection Agencies HRS §443B-20.

⁹ E.g. Motor vehicle advertising, HRS §437-4.

¹⁰ HRS §521-74.5 provides that a landlord who recovers possession of a dwelling unit by willful interruption of utilities or other essential services violates HRS §480-2. In addition, HRS §521-77 provides that OCP may receive, investigate and attempt to resolve any dispute arising under HRS Chapter 521.

Table 2: OCP Information Requests

REQUEST AND INQUIRIES	FY 02-03	FY 03-04
Requests for Prior Complaint History	6629	7,555
Requests for Landlord/Tenant Information	10,996	9,660
Complaint Inquiries	17,682	20,505
Requests for Records Review	105	15
TOTAL	35,412	37,735

Table 3: Number of OCP Complaints Filed

COMPLAINANT	FY 02-03	FY 03-04
Public	1631	1428
OCP	38	57
TOTAL	1669	1485

Table 4: Numerical Breakdown of Dispositions of All OCP Cases

DISPOSITIONS	FY 02-03	FY 03-04
Complaint Withdrawn	7	10
Legal Action & Referrals to Legal	238	192
Advisory Contact	62	37
Civil Dispute/Personal Matter	71	52
Monetary Threshold	13	14
Complainant Uncooperative	13	31
Consumer Complaint Resolved	18	33
Respondent Died or Bankrupt	97	101
Business vs. Business	22	20
No Jurisdiction	6	9
Refer to Investigation	263	143
Other	3	3
Warning Letter	75	53
Insufficient Evidence	416	460
Transferred to Other Gov't. Agency	785	621
No Violation	23	27
Information Only/Inquiry	30	150
Total	2142	1956

Table 5: OCP Complaints by Subject Matter

A complaint may cover multiple subject matters

SUBJECT	FY 02-03	FY 03-04
Animals	4	4
Breeders	1	3
Pet Grooming	1	3
Pet Shops	5	2
Kennels/Boarding	0	1
Refund Law – Refunds/Exchanges/Merchandise Credit	-	44
Gift Certificates	-	9
Apparel/Accessories	15	35
Laundry/Dry Cleaning/Laundromats	3	0
Dressmaker/Tailors	1	0
Fabric/Notions/Etc.	0	2
Shoes/Etc.	3	6
Clothes	16	14
Appliances	12	11
Refrigerator/Freezer/Stove/Range	7	7
Water Heaters/Air Conditioners	4	4
Washer/Dryer	0	5
Radio/Stereo/Tape Deck/CD Player	3	10
TV/VCR	10	5
Sewing Machine	2	1
Vacuum Cleaner	10	9
CB Radios	0	0
Computers/Software	87	82
Health Services/Products	21	20
Exercise Devices	2	2
Exercise/Health Clubs/Clinics	16	13
Health Foods	1	0
Weight Reduction	2	5
Cosmetics/Beauty Products	10	5
Wigs/Hairpieces	0	0
Entertainment/Music	2	5
Concerts/Events	2	1

SUBJECT	FY 02-03	FY 03-04
Ticket Sellers/Promoters	0	6
Theaters	1	2
Night Clubs/Discotheques	0	0
Musical Instruments/Lessons	4	3
Audio Records/Tapes/CD/Etc.	10	3
Buying Clubs - Record/Tape/CD/Video	5	2
Video Records/Tapes/CD/Etc.	9	11
Florists/Nurseries	3	2
Food/Drink	23	14
Food Stores/Markets	8	5
Drive Inns	0	0
Caters/Deli	2	0
Bakery	0	0
Restaurants	13	10
Banquet Halls	0	0
Bars/Cocktail Lounges	1	0
Energy/Fuels	0	0
Solar Energy	1	0
Gas, Propane, Etc.	4	5
Energy Saving Devices	0	1
House Materials/Goods/Services	22	10
Beds & Mattresses	15	6
Furniture	14	23
Cookware	1	2
Drapery	0	1
Carpet/Rugs	4	5
Clocks	0	0
House Hardware/Fixtures	9	5
Woodwork/Metalcraft/Glass/Etc.	6	2
Interior Decorators	0	1
Lawn Care Products/Yard Service	1	3
Upholsters	1	3
Water Purifiers/Filters	2	1
Cleaning Services	5	7

SUBJECT	FY 02-03	FY 03-04
House Construction/Remodeling	17	6
Vermin/Bug Extermination	1	0
Tools	5	2
Insurance	12	25
Extended Warranties	3	7
Service Agreements/Contracts	8	19
Jewelry	22	22
Precious Stone & Metals	4	3
Watches	4	9
Medical	12	8
Hospitals/Clinics	14	16
Pharmacies	1	1
Convalescent/Nursing Homes	0	0
Medical Equipment	2	4
Medical Service Companies	4	2
Medical Laboratories	3	3
Home Care Facilities	0	0
Psychiatric Counseling/Group Therapy	0	0
Other Counseling/Group Therapy	1	0
Occupational Therapists (457G)	0	0
Morticians, Cemeteries & Other	0	1
Moving & Storage	19	10
Private Storage Company	3	1
Bill of Lading	0	0
In-transit Storage	2	0
Delivery Service	5	7
Air Cargo Service	0	1
Multi-Product Retailer/Wholesalers	10	11
Buying Clubs	3	2
Department Stores	6	6
Photography	8	7
Photo Studios	0	2
Film Processing	2	1
Camera/Equipment	23	17

SUBJECT	FY 02-03	FY 03-04
Photographic Services	7	4
Professional Services	0	8
Attorneys/Legal Services	2	3
Accountants/Bookkeeping	0	1
Tax Services	3	3
Medical Professional	2	6
Adoption Agencies	2	0
Printers	2	2
Regulated Services (Trade & VO Caption)	2	3
Protection Devices	1	2
Fire/Burglar Alarms	0	3
Heat/Smoke Detectors	1	0
Locks (Windows, Doors, Etc.)	0	1
Fire Extinguisher	0	0
Recreation/Toys/Game/Etc.	18	15
Arts & Crafts	8	7
Boats & Airplanes	4	5
Toys	12	9
Surfboards	2	0
Video Games	9	9
Camping Equipment	0	0
Sporting Goods	22	11
Recreational Rentals	9	3
Transportation	11	7
Cabs	1	1
Moving Companies/Storage	2	7
Pedi-Cabs	0	0
Tour Buses and Limos	1	1
Automobiles	25	26
Car/Truck Rental	10	18
Car/Truck Lease	1	2
Moped Rentals	3	0
Other Transportation Rentals	1	3
Towing	16	16

SUBJECT	FY 02-03	FY 03-04
Parking	10	5
Body/Paint Shops	35	22
Auto Parts/Repair	65	58
Rustproofing/Undercoating	1	1
Glass Tinting	1	3
Vehicle (Incl Mopeds) New & Used Sales	2	7
Warranties	5	7
Travel/Vacations	17	18
Air Travel Services (Airlines, Etc.)	20	19
Ocean Travel Services (Cruises & Ships)	4	6
Discounted Tickets - Travel/Entertainment	10	3
Hotels & Motels	18	13
Bed & Breakfast	7	2
Tour Services	10	10
Travel Clubs	2	0
Passports & Visas	1	0
Utilities	3	0
Gas Provider	0	2
Electric	1	1
Telephone/Cellular/Pagers	78	56
Water	3	0
Cable	3	2
Telecommunications/Electronic Devices	12	12
Dating Services	2	6
Investment/Financial	11	12
Chain Letter	0	0
Consumer Credit	17	13
Credit Card	89	61
Identity Theft	-	0
Checking Accounts	5	7
Debit Accounts	2	1
Promissory Notes	0	0
Buying on Account	0	0
Information to Obtain Credit/Credit Cards	0	0

SUBJECT	FY 02-03	FY 03-04
Discount Coupons/Books	0	4
Financial Institutions	13	9
Credit Reporting Agency	9	4
Credit Repair	5	4
Collection of Debts	7	7
Advance Fee Loans	1	1
Bank/Savings & Loan/Industrial Loan Companies	5	2
Escrow Services	1	1
Loan/Mortgages	15	12
Investment/Opportunity Scheme	7	6
MLM/Pyramids/Endless Chain Schemes	2	2
Referral Sales	1	1
Get Rich Programs	1	0
Work-at-Home Programs	8	7
Coins/Currency	1	1
Stocks & Bonds	0	1
Oil/Gas Lottery	0	0
Art	2	2
Securities	0	0
Tax Planning/Devices	1	2
Contract Sellers	0	2
Pawn Shops	1	1
Auctioneers	6	1
Second Hand Dealers	2	0
Real Estate	20	7
Sweepstakes/Lottery/Games of Chance	15	22
Contests	1	4
Gambling	0	0
Education/Information	4	22
Schools (Elementary, High)	1	4
Degree Granting Schools	6	13
Unaccredited Degree Schools	23	40
Trade/Vocational Schools	2	2
Home Study	0	1

SUBJECT	FY 02-03	FY 03-04
Correspondence Schools	0	0
Dance Schools	1	0
Modeling Schools	2	0
Day Care Centers	1	0
Employment	3	10
Resume Preparation	0	0
Modeling Agency	4	5
Regular Periodic Information Service	0	0
Magazine	10	14
Subscription Services	42	17
Newspaper	3	3
TV Broadcasting	3	1
Radio Broadcasting	0	2
Computer Information Services	12	17
Internet Transactions	407	455
Books/Encyclopedia	13	4
Self-Improvement Seminars	0	1
Encounter Group Therapy	0	0
Charitable Solicitations	7	4
Environmental Claims	0	0
Religious	1	1
Emergency: Prize/Freeze/Gouging/Rent Termination	0	0
Rent to Own	0	0
Elderly Issues	2	9
Civil Procedures/Statutory Constructions	0	0
Multistate Projects	9	13
Spamming	1	2
MS – Newspaper Advertisement	8	15
MS – Other Regular Printed Media Ad (Magazine, Etc.)	15	17
MS – Television/Cable	6	3
MS – Info Commercial	5	2
MS – Telemarketing	22	15
MS - 1-900 Numbers	1	0
MS – Direct Mail	36	9

SUBJECT	FY 02-03	FY 03-04
MS – Information Brochure	1	2
MS – Response Card/Letter	0	1
MS – Home Presentation (Door-to-Door)	4	2
MS – Radio	0	1
MS – Product Show	0	0
MS – Information/"How To" Seminar	11	2
MS – Mail Order	39	17
TOTAL COUNT	2038	1986

Table 6: OCP Neighbor Island Assistance FY 2004

DIVISION	HILO	MAUI	TOTAL
Division of Financial Institutions	8	4	12
Business Registration	31	22	53
Cable Television	1	1	2
Insurance Division	20	10	30
Division of Consumer Advocacy	0	0	0
Professional & Vocational Licensing	19	26	45
Regulated Industries Complaints Office	234	146	380
Non-Departmental Related	137	152	289
Other DCCA Divisions	0	0	0
TOTAL	450	361	811

PROFESSIONAL AND VOCATIONAL LICENSING DIVISION (PVL)

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

PVL's projects to promote accessibility for licensing information on the Internet are very user friendly. PVL continues to explore ways to enhance public accessibility to licensing information, the licensing process, and the licensee roster. PVL's web page, a site that provides general licensing information for all 45 licensing areas, features downloadable license applications, publications, links to Hawaii Revised Statutes and Hawaii Administrative Rules, as well as a means to request an application or contact the board or program staff via e-mail. The website address is <http://www.hawaii.gov/dcca/pvl>.

Public accessibility to licensee information is enhanced by the PVL Online Inquiry, a fully interactive site that enables the public to access the licensee roster online. The roster may be searched to confirm licensing by license name, license number, and other identifying information. Updates to the online information occur within 30 minutes of the update to the licensing database. Feedback received on the on-line roster indicates that the site benefits 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 address for PVL's Online Inquiry is <http://www.ehawaii.gov/org/serv>.

This is the fourth year that online renewals are being made available to licensees. This entirely paperless process enables licensees to complete, file and pay for their license renewal electronically. During Fiscal Year 2003-2004, 10,635 licensees renewed their licenses electronically. This represents 28.3% of the total number of licensees that could take advantage of the online service. Compared to the prior biennial renewal cycle of 2002 for these licensees, there was an increase in 2004, as Fiscal Year 2002 had only 5,941 licensees renew online, representing 18.69% of the total number of licensees. While the majority of renewals are still mailed in by licensees and manually processed by PVL, the division is hopeful that even more licensees will take advantage of online renewals in the future. In time, PVL hopes to be able to offer all licensed areas the opportunity to renew online. Online renewals are available at <http://www.ehawaii.gov/org/pvl/renew>.

Finally, with regard to fiscal matters, PVL's goal is to maintain the division as a special-funded and entirely self-sufficient program. Through careful budgeting of PVL revenues and expenditures, PVL

endeavors to maintain self-sufficiency, while expanding and improving services to the public. Internally, PVL continues to evaluate and reengineer its processes for efficiency and streamlining, and to develop alternative means of delivery of licensing information to the public.

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

Composition

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

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

Administration Branch (See Verizon Hawaii SuperPages, State Offices, Page 13, last column, Executive Offices for Boards/Commissions & Programs) serves as the liaison between the director of the department and the 25 boards and commissions administratively attached to DCCA. On a daily basis, the Administration Branch handles board affairs such as the coordinating, preparing, facilitating and recording of board meetings; ensuring board compliance with applicable laws that guide and direct their conduct; and implementing board decisions on applications, policies and procedures, and disciplinary actions. The Administration Branch also responds to requests for interpretation of the licensing laws and rules; oversees licensing and examination activity; and guides and assists with regulatory compliance issues. The same activities are done for the 20 programs (absent the necessity of board meetings) on behalf of the director of the department. There are also substantial coordination and facilitation activities performed by the Administration Branch with other state, county, and federal agencies involved with licensing and regulatory issues.

Real Estate Branch (Phone 586-2643) serves as the liaison between the director of the department and the Real Estate Commission, and performs the same functions as the Administration Branch for real estate licensing and regulation, and condominium property regimes. With the largest volume of applicants, licensees, and registrations, the Branch administers the Real Estate Recovery Fund, Real Estate Education Trust Fund, and the Condominium Education Trust Fund. The Branch also administers education and research programs in the field of real estate and condominiums. Information on the programs, financial

reports, and the Commission's annual report may be reviewed at the Branch's website:
<http://www.hawaii.gov/hirec>.

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

ACCOMPLISHMENTS

PVL had a successful 2004 Legislative Session. The Legislature supported changes proposed by the PVL Administration relating to: abandoned applications for professional and vocational licensing, real estate licensing, cosmetology license restoration, licensing requirements for elevator mechanics, dental examination, nurses, licensing requirements for private detectives and guards, and pest control.

Act 11 amended the Uniform Professional and Vocational Licensing chapter by clarifying when an application is deemed abandoned when an applicant fails to provide evidence of continued efforts to complete the licensing process for two years. Act 12 amended the Real Estate Brokers and Salespersons chapter by adding a new section to provide the real estate commission with the ability to enter into a license recognition agreement with another state or jurisdiction. Act 13 amended the Beauty Culture chapter by allowing the restoration of a cosmetology license beyond the current three year period. Act 31 amended the Elevator Mechanics chapter by aligning training requirements for licensure of elevator mechanics with federal and state apprenticeship standards by increasing licensing requirements from two to four years. Act 69 amended the Dentistry and Dental Hygienist chapters by authorizing the acceptance of dental and dental hygienist exam results from regional or state testing agencies if state constructed exams cannot be administered and repealing license eligibility of graduates of foreign dental schools not accredited by the American Dental Association. Act 88 amended the Nurses chapter by clarifying the licensure, renewal, and reporting requirements and requiring the Board of Nursing to report on findings regarding the Commission on Foreign Nursing Schools and English proficiency exams and their effect on nurse shortage and licensure. Act 94 amended the Private Detectives and Guards chapter by clarifying definitions and establishing character requirements for private detective and guard licensees, and authorizing inactive status license. Act 175 amended the Pest Control Operators chapter by specifying that a pest control operator must obtain and maintain continuous coverage of workers' compensation and liability insurance for licensure.

One of PVL's greatest accomplishments occurred on February 12, 2004, when PVL made available an innovative service for professional and vocational license information. The new service, List Builder, is available through ehawaii.Gov, the State's Internet portal. The List Builder service enables a user to develop custom lists of licensees from a database that is upgraded daily. The customized lists can be based on license type, license status, geographic criteria, and other factors. The service is available twenty-four hours a day.

In December 2003, PVL's licensing branch updated its antiquated phone system and implemented the Automatic Call Dialing (ACD) System. The new system allows the licensing branch to respond to the

overwhelming number of phone calls in a timely and professional manner. The ACD system is working extremely well, as it is a very efficient system.

PVL is currently involved in the DCCA Customer Service Improvement Project, working in collaboration with the Department of Human Resources Development (DHRD). While it is still a pilot project, we would like to see its completion in 2005. The goal is to attain the best possible customer service that PVL's Licensing Branch can provide to the public by assessing quality of customer service; identifying possible areas for improvement; designing and implementing actions/intervention; and evaluating the effectiveness of the project. Upon the successful completion of this project, it can then be used as a model for other State departments.

PVL is also very proud of what the Real Estate Branch and the Real Estate Commission have accomplished. In addition to the passage of HB 2417 (Act 12), the 2004 Legislature passed Parts I (General Provisions), II (Applicability), and VI (Management of Condominiums) of the condominium law recodification bill, SB2210 (Act 164). Parts II (Creation, Alteration, and Termination of Condominiums), and (V) (Protection of Condominium Purchasers) are to be considered during the 2005 Legislative Session. Act 164 also repeals and replaces the condominium property regimes law in part as follows: establishes a two year condominium dispute hearings pilot program which requires the DCCA hearings officer to hear and decide certain qualifying condominium disputes which have not been successfully resolved by mediation. On attending to the needs of their industry, neighbor island real estate licensees, condominium owners, and developers had the same opportunities as their Oahu counterparts to utilize on their island the many services and educational programs administered by the Hawaii Real Estate Commission. Such services and educational programs include Condominium Review Committee meetings, Specialists Office for the Day, Real Estate Renewal Workshops, and Condominium Management Education Subsidized Mediation Programs.

The CRF financial summary relating to PVL for FY 03-04 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$2,953,813	\$947,359	\$3,901,173	\$4,996,953

CONCLUSION

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

Table 1: PVL Statistical Overview

	FY 02-03	FY 03-04
No. of applications received	14,505	12,897
No. of applicants licensed	10,542	11,427
No. of licenses renewed	44,757	43,820
No. of current licensees	108,112	112,848
Total licensee population (all statuses - i.e. Current, forfeited, delinquent)	249,000	257,080

Table 2: Total Number of Current PVL Licensees

Boards and Commissions (shown by asterisk *), and Programs	FY 02-03	FY 03-04
Accountants*	2,461	2,428
Activity Desks	704	659
Acupuncturists*	512	514
Barbering and Cosmetology*		
Barbers	1,052	1,056
Barber Shops	202	196
Beauty Operator*	6,276	6,129
Beauty Instructor	62	64
Beauty School	6	6
Beauty Shops	1,119	1,058
Boxing (all categories)*	90	32
Cemeteries and Pre-Need Funeral Authorities	25	23
Chiropractors*	568	574
Collection Agencies	320	402
Contractors*	9,258	9,791
Dentists*	1,340	1,288
Dental Hygienists	732	722
Dispensing Opticians	133	147
Electricians (all categories)*	2,326	2,432
Plumbers (all categories)*	961	990
Electrologists	16	21
Elevator Mechanics*	202	211
Employment Agencies	84	94

Boards and Commissions (shown by asterisk *), and Programs	FY 02-03	FY 03-04
Engineers, Architects, Surveyors, and Landscape Architects:*		
Engineers	4,523	4,771
Architects	1,909	2,039
Surveyors	186	191
Landscape Architects	126	134
Hearing Aid Dealers & Fitters	71	82
Marriage and Family Therapists (established 12/31/98)	90	100
Massage Therapists*	4,742	5,399
Massage Establishments	615	709
Medical and Osteopathy*		
Physicians	6,859	6,733
Podiatrists	80	69
Osteopaths	432	457
Physician Assistants	97	98
Emergency Medical Technicians	381	388
Mobile Intensive Care Technicians	338	340
Mortgage Brokers	252	350
Mortgage Broker Branch Offices	69	105
Mortgage Solicitors	2,103	3,413
Motor Vehicle Dealers*	198	227
Motor Vehicle Salespersons	1,641	1,547
Motor Vehicle Repair Dealers*	1,061	950
Motor Vehicle Mechanics	2,443	2,238
Naturopaths*	84	81
Nursing*		
Registered Nurses (RN)	15,698	14,676
Licensed Practical Nurses (LPN)	2,982	2,697
Advanced Practice Registered Nurse (APRN)	589	646
APRN with Prescriptive Authority (established 10/24/98)	104	127
Nurse Aides	7950	9,097
Nursing Home Administrators	119	132
Occupational Therapists (established 1/1/99)	346	435
Optometrists*	365	326
Pest Control Operators*	158	168

Boards and Commissions (shown by asterisk *), and Programs	FY 02-03	FY 03-04
Pest Control Field Representatives.	69	128
Pharmacists*	1,577	1,594
Pharmacies	226	210
Wholesale Prescription Drug Distributors	58	61
Miscellaneous Permit	191	204
Physical Therapists*	869	1,011
Port Pilots	9	9
Deputy Port Pilots	4	4
Private Detective Agencies*	32	29
Private Detectives	107	110
Guard Agencies	52	50
Guards	79	86
Psychologists*	589	642
Real Estate Appraisers (all)	373	381
Real Estate Brokers*	5,111	5,452
Real Estate Salespersons	9,601	11,740
Real Estate Branch Offices	90	93
Condominium Managing Agents	0	0
Condominium Hotel Operators	17	17
Social Workers (established 7/1/95)	1,254	1,051
Speech Pathologists*	425	410
Audiologists	53	52
Subdivision	0	0
Time Share (all categories)	0	0
Travel Agencies	1,871	1,309
Veterinarians*	336	357
TOTAL	108,053	112,785

Table 3: Total Number of Online Renewals

License Types	FY 02-03	FY 03-04
Accountant		809
Activity Desk		50
Acupuncture	139	
Audiologist		20

License Types	FY 02-03	FY 03-04
Barbering and Cosmetology		
Barber		88
Barber Shop		4
Beauty Operator		873
Beauty Instructor		10
Beauty Shop		101
Chiropractor		125
Dentist		294
Dental Hygienist		157
Dispensing Optician		31
Electrologist	4	
Elevator Mechanic		47
Engineer, Architect, Surveyor, and Landscape Architect		
Engineer		1,648
Architect		605
Surveyor		72
Landscape Architect		35
Hearing Aid Dealer and Fitter		18
Massage Therapist		1,308
Medical and Osteopathy		
Osteopath		141
Emergency Medical Technician		128
Mobile Intensive Care Technician		131
Mortgage Broker	68	
Mortgage Solicitor	344	
Motor Vehicle Consumer Consultant		3
Motor Vehicle Salesperson		195
Naturopath		31
Nursing		
Registered Nurse (RN)	162	
Licensed Practical Nurse (LPN)	640	
Advanced Practice Registered Nurse (APRN)	4,586	
Nursing Home Administrator		34
Occupational Therapist	74	
Physical Therapist	236	

License Types	FY 02-03	FY 03-04
Real Estate Broker	1,384	
Real Estate Salesperson	2,507	
Social Worker		338
TOTAL	10,144	10,635

Table 4: Total Number of Website “Hits”

Boards and Programs	FY 02-03	FY 03-04
Accountancy	36,590	46,191
Activity Desk	4,731	5,038
Acupuncture	9,905	12,293
Barbering and Cosmetology	28,093	41,883
Cemetery and Pre-Need Funeral Authority	3,905	5,543
Chiropractor	17,224	27,166
Collection Agency	7,849	11,195
Contractor	117,810	153,172
Dentist and Dental Hygienist	27,922	41,679
Dispensing Optician	5,087	7,719
Electrician and Plumber	14,297	19,407
Electrologist	2,813	4,194
Elevator Mechanic	4,282	5,897
Employment Agency	4,975	6,250
Engineer, Architect, Surveyor, and Landscape Architect	61,848	76,599
Hearing Aid Dealer and Fitter	2,282	4,119
Marriage and Family Therapist	8,813	10,608
Massage Therapy	28,185	41,254
Medical and Osteopathy	71,878	97,232
Mortgage Broker and Solicitor	36,877	53,335
Motor Vehicle Industry	12,517	19,120
Motor Vehicle Repair	11,434	12,026
Naturopathy	4,287	4,989
Nurse Aide	2,310	3,016
Nursing	90,265	148,491
Nursing Home Administrator	5,551	8,056
Occupational Therapist	4,941	5,956

Boards and Programs	FY 02-03	FY 03-04
Optometry	11,893	16,640
Pest Control	8,818	12,170
Pharmacy and Pharmacist	56,299	47,862
Physical Therapy	11,317	17,383
Private Detective and Guard	13,199	18,275
Psychology	11,786	16,257
Real Estate	629,934	1,471,967
Real Estate Appraiser	25,097	45,486
Social Worker	13,037	22,773
Speech Pathology and Audiology	5,186	8,005
Time Share	7,586	9,797
Travel Agency	9,681	10,017
Veterinary	4,843	6,699
TOTAL	1,435,347	2,575,759

Table 5: Total Number of Email Inquiries

Boards and Programs	FY 02-03	FY 03-04
Accountancy	440	520
Activity Desk	15	6
Acupuncture	96	113
Barbering and Cosmetology	237	229
Boxing	8	0
Cemetery and Pre-Need Funeral Authority	20	22
Chiropractor	123	195
Collection Agency	13	38
Contractor	380	157
Dentist and Dental Hygienist	229	294
Dispensing Optician	14	13
Electrician and Plumber	64	71
Electrologist	24	9
Elevator Mechanic	12	0
Employment Agency	13	11
Engineer, Architect, Surveyor, and Landscape Architect	708	601
Exam Branch	45	60

Boards and Programs	FY 02-03	FY 03-04
Hearing Aid Dealer and Fitter	23	9
Marriage and Family Therapist	68	36
Massage Therapy	440	289
Medical and Osteopathy	546	714
Mortgage Broker and Solicitor	160	125
Motor Vehicle Industry	8	72
Motor Vehicle Repair	13	28
Naturopathy	19	22
Nurse Aide	53	26
Nursing	1,020	805
Nursing Home Administrator	14	21
Occupational Therapist	96	89
Optometry	18	99
Pest Control	17	23
Pharmacy and Pharmacist	137	122
Physical Therapy	151	116
Private Detective and Guard	9	56
Psychology	115	120
Professional Vocational Licensing (PVL)	838	964
Real Estate	3,249	4,408
Real Estate Appraiser	146	960
Social Worker	116	240
Speech Pathology and Audiology	49	49
Time Share	289	363
Travel Agency	39	42
Veterinary	91	88
TOTAL	10,165	12,225

REGULATED INDUSTRIES COMPLAINTS OFFICE (RICO)

website: www.hawaii.gov/dcca/rico

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

OVERVIEW

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

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

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

Composition

RICO's functions can be divided into two main categories: (1) education, information, complaint intake and alternative dispute resolution functions are performed by the division's Consumer Resource Center, and (2) investigation and prosecution functions for the licensing boards, commissions and programs within the Professional and Vocational Licensing Division which are performed by the division's field investigation and legal branches.¹¹ RICO staff consists of intake investigators, field investigators, attorneys and support staff. Approximately one-fifth of RICO's full-time positions are located in the four neighbor island offices. The primary functions of the RICO branches are generally described as follows:

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

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

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

¹¹ See, Section 26-9, and 26H-4, Hawaii Revised Statutes.

Mediation has been integrated into RICO's case handling system. Cases are evaluated based upon factors such as the type and severity of the alleged licensing law violation, the severity of the dispute, and the complaints history of the respondent. Since its inception, over half of the cases referred and concluded through this initial mediation path have been successful. This service is now available on Kauai, Maui, Hilo and Kona, as well as in Honolulu.

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

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

See Table 1 for more specific information about Consumer Resource Center and Online Activity.

Field Investigation

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

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

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

In addition to handling RICO complaints, the neighbor island offices within RICO's investigative section serve as liaison for the Department of Commerce and Consumer Affairs. This

responsibility requires the neighbor island staff members to know a little bit about everything concerning the department. As illustrated in Table 3, neighbor island RICO offices provide the most information in areas concerning the Professional and Vocational Licensing Division and the Business Registration Division. Neighbor island staff provides information, forms, educational brochures, technical assistance for hearings, and assistance in the facilitation of professional and vocational licensing examinations.

Legal Branch

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

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

As a result of the enforcement work of the division, during the past fiscal year, RICO issued 130 citations and obtained 107 citation orders for unlicensed activity. During the same period, 62 judgments (based on lawsuits or consent judgments) were entered for unlicensed activity. 99 Board orders were entered against licensees, including 36 revocation orders and 2 suspension orders.

State Certified Arbitration Program The State Certified Arbitration Program (SCAP), more commonly known as the lemon law program, provides an arbitration forum for a consumer to resolve a warranty-related dispute with a motor vehicle manufacturer without having to hire an attorney. SCAP handled 57 cases and helped consumers recover over \$532,000 during the year.

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

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

ACCOMPLISHMENTS

Review and improve investigation of medical licensing complaints: In an ongoing effort to improve the efficacy of the division's enforcement of the state's medical licensing laws, the division worked on a number of initiatives relating to the investigation of medical licensing violations. In particular, the division:

- Proposed legislation passed by the 2004 legislature (Act 26) that provides the Board of Medical Examiners with a wider range of disciplinary sanctions that can be used in medical disciplinary cases.;

- Continued the use of a collaborative “team” handling of medical cases by RICO intake staff, field investigators and attorneys. The team approach facilitates a more global review of multiple complaints against a particular practitioner, and provides for proactive participation by staff attorneys at an earlier stage of the investigative process;
- Adopted a customized complaint form for complaints about health care practitioners that facilitates the receipt of all necessary information, supporting documents and consents at the time the complaint is accepted; and
- Increased and enhanced networking opportunities with and access to entities that hold information about possible licensing violations such as the courts, peer review committees, and private and public medical databases.

Community Outreach (Consumer Education): RICO continues to work with the building industry to provide contracting law information to consumers as part of a series of BIA presentations about remodeling issues.

Enhanced Internet Services for the Public: RICO’s internet website www.state.hi.us/dcca/rico, continues to be fine-tuned in response to public input. In addition, the division provides up-to-date complaints history information to the public at <http://www.ehawaii.gov.org/serv/cms>, thereby enhancing the public’s ability to obtain information about the licensed professionals in our community. Over the past year, the division successfully implemented an enhanced Internet version of its complaints history that (1) provides users with a printable complaints history report; and (2) provides detailed information about formal disciplinary action that was taken and board sanctions if any; and civil actions and judgments relating to unlicensed activity. Online complaints history report information is now virtually identical to the written information formerly available to the public only by writing to the agency.

Based upon feedback from members of the public and businesses, online complaints history has been a useful, timely and popular resource that has significantly reduced the amount of time inquirers have to spend when it sought information about a particular business.

The CRF financial summary relating to RICO for FY 02-03 is as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$3,147,661	\$462,189	\$3,609,851	\$4,575,619

CONCLUSION

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

Table 1: RICO Consumer Resource Center and Online Activity

	2003	2004
INQUIRIES BY:		
Phone	14,700	14,259
Letter	138	76
Walk-in	890	946
TOTAL	15,728	15,281
LBIS ASSISTANCE		
Prior Complaints History RICO	40,254	39,445
BREG, PVL, OCP and Other	55,919	50,062
TOTAL	96,173	89,507+
INTERNET ASSISTANCE		
RICO WEBSITE HITS	65,063	76,243
eHawaii.gov Complaints Search	297,435	380,064
TOTAL	362,498	456,307
FORMS ISSUED BY:		
Phone	3,498	3,372
Letter	3	9
Walk-in	539	636
TOTAL	4,040	4,017

+Reflects increased use of the Internet to obtain prior complaints information.

**Table 2: Complaints Filed With RICO
 (Sorted by Board, Commission or Program)**

Board, Commission, or Program	2003	2004
Accountants	5	7
Activity Desks	3	3
Acupuncturists	2	6
Barbers & Cosmetologists	91	119
Boxing	8	2
Cemeteries and Pre-Need Funeral Authorities	21	18
Chiropractors	10	3
Collection Agencies	21	21
Contractors	320	344

Regulated Industries Complaints Office (RICO)

Dentists and Dental Hygienists	9	12
Dispensing Opticians	0	3
Electricians & Plumbers	9	11
Electrologists	0	0
Elevator Mechanics	0	0
Employment Agencies	20	0
Engineers, Architects, Surveyors and Landscape Architects	10	17
Hearing Aid Dealers & Fitters	0	2
Marriage and Family Therapists (established 12/31/98)	0	1
Massage Therapists	85	89
Medical	59	94
Mortgage Brokers & Solicitors	23	21
Motor Vehicle Industry	33	71
Motor Vehicle Repair	75	66
Naturopaths	0	4
Nursing	22	20
Nursing Home Administrators	1	1
Occupational Therapist	0	2
Optometrists	4	2
Pest Control	8	11
Pharmacy	8	14
Physical Therapists	3	1
Pilotage	0	0
Private Detectives & Guards	3	5
Psychologists	8	4
Real Estate Appraisers	5	3
Real Estate (including Condominiums)	80	87
Social Workers	3	1
Speech Pathologists & Audiologists	0	0
Subdivision	2	1
Time Share	2	4
Travel Agencies	62	285
Veterinarians	5	11
	1,020*	1,366*

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

Table 3: Assistance Provided to the Public for other DCCA divisions by Neighbor Island RICO Offices in FY 2004

DIVISION	HILO	KAUAI	KONA	MAUI	TOTAL
Division of Financial Institutions	19	24	3	7	53
Business Registration	699	619	663	685	2,666
Cable Television	0	8	4	5	20
Insurance Division (+ MVID)*	87	33	21	39	180
Division of Consumer Advocacy	43	11	1	6	61
Professional & Vocational Licensing	574	493	765	776	2,608
Office of Consumer Protection	359	570	71	332	1,332
Non-Department Related	505	677	449	305	1,936
Totals	2,286	2,438	1,977	2,155	8,856

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

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

	SCAP COMPLAINTS
AUDI	1
DAIMLER CHRYSLER	4
FORD	8
GM	16
HONDA	5
HYUNDAI	1
ISUZU	1
KIA	3
MAZDA	6
MERCEDES-BENZ	3
NISSAN	4
TOYOTA	4
VOLKSWAGEN	1
Total Cases	57
Cases Arbitrated*	32
Cases Settled	21
Cases Withdrawn	4
Total Refunded to Consumers	>\$532,000

**Of the cases arbitrated, 14 arbitrations were in favor of the manufacturer and 18 cases were in favor of the consumer.*