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STATE OF HAWAII
STATE ETHICS COMMISSION

Jan. 29, 2019

Dear Commissioners,

I fully understand and appreciate the inquiry and the concern of whether gifts are accepted, as a result, public interest are compromised.

I will categorically state that when I was employed at Insurance Department I accepted no gift from no one, and in carrying out my responsibilities, at no time and under no circumstances, I was unduly influenced or otherwise compromised. On the contrary, I did my job diligently and professionally. In fact, just a couple of months before I was dismissed, Director herself, and the Commissioner wrote me a complimentary email and recognized me for a job well done.

As for the specific allegations, I'm sure there is misunderstanding or lack of understanding of the all facts and whole circumstances. First of all, I did directly oversee and manage financial examinations (particularly procedures and process), most of which were performed by contract examiners (vendors). My job is to ensure the exams are performed under reasonable budget, timely and in accordance with regulatory standard and requirement. I DON'T directly and personally involve in process of selecting contract firms (vendors), i.e., reviewing proposal, reviewing submissions, and making evaluation and selection, which is carried out by a 3-person selection committee. The committee strictly follow the review and selection process and procedures established by Deputy Commissioner, which is well documented for review. Every contract was awarded when the Deputy Commissioner (budget & project specialist) is notified and reviewed. In fact, almost every time I rigorously challenged the vendors (contract examiners) to ensure the state is not overly charged, exam procedures performed properly and projects overall are done timely, etc. When I was with the state (2016-2019), examination cost was reduced by 30-40 percent every year, exams were performed in less but much reasonable time, resulting in savings for the state in the hundreds of thousands. I don't agree but I would understand the grievances vendors or staff may have.

When Scott Eady was first on the job visiting the Department after his firm (RRC) was awarded a project, I actually took him out for lunch at a Japanese restaurant on Kapiolani, just to show friendly hospitality and to get know each other (over \$20-30). I also presented him a bag of Hawaii coffee (\$26). As one of staff's suggestion, we did go out and ate at Nabu, partly because we both enjoy Sushi and I'm new in town and like to explore different restaurants. I brought with me a bottle of Saki (\$76), the same kind that I gave to then Commissioner. I paid Scott back my share in cash (\$200). As for dinner with John Humphries and his wife at Santory restaurant, this is probably 3rd or 4th time I went there. I know John for many years when he was an actuary and had his own firms. I met with them the day before and treated them at Julie's. I also gave them a bag of Hawaii coffee as gift. As their request, I took them to hiking at Kiliouou Ridge just to be social and friendly. At Memphis, TN, I dis share meals with current and former colleagues and friends during SOFE event but don't specifically recall the dinner John Humphries and Scott (which I might). Usually we split the bill either by paying cash or picking up next time. Scott and Sara (contract examiners) and I did eat Sushi at Hihimanu, at the

suggestion by one of staff in office. We wanted to try a different Sushi place, and we were told this is a newly opened. Scott insisted to pay the bill but I made sure I paid him back my share in cash (I gave him \$100 but no sure of the total bill). Most of the time when I share meals with colleagues and friends, I always either pay my share, sometimes I paid cash instead of fighting for, unless it is with very close friends and colleagues for long time. For me, sharing meals after work is just casual social interactions and chance to get known each other better; there is no whatsoever bearing, or monetary interest or undue influence. I always supervise and manage the exams diligently and fairly, and do my job professionally and responsibly whether I know the contract examiners personally or not. There is absolutely no influence and conflict in term of reviewing and awarding exam contracts. However, I would understand and it would not be surprising to me if this is all about the vendors and staff at the Department don't like the way I manage and supervise. They may feel I'm tough but I am friendly, fair and reasonable.

Anyone who has worked long enough in insurance regulatory environment would know that It is not uncommon for the Commissioner and his staff interact, and from time to time socialize with contract examiners, industry representatives and people working with, many of whom were former commissioners, former colleagues and regulatory staff. If it is a problem to have a working relationship and at the same time to have personal social relationship out of office, all commissioners, deputies and staff may be alleged and charged for "wrong doing". I did take then Commissioner Ito and wife at a Sushi dinner at Santory restaurant when my son and his girl friend came to visit. I also took Commissioner out for lunch at Julie's more than once. I also gave him a bottle of Saki (\$76), even though I don't drink at all. I gave Commissioner Hayashida two sets of smoke salmon from Vancouver (\$35 each). When Hawaii hosted the NAIC meeting in December 2017, I took colleagues, Chief examiners and two or three other consultants (contract examiners/vendors) for Sushi at Gaku on S King (I paid most of the bill, some paid me cash). In fact, when we attended the NAIC meeting in NYC last summer, I treated John Humphries and his wife at Nabu, the restaurant only a couple of blocks away from the hotel we stay in (I paid the whole bill). I can list many of those occasions when colleagues and friends go out and share meals when they have chance to see/meet one another.

I do, however, understand and appreciate your effort; and I'm sure you will be fair and impartial in reviewing all the facts and evaluating all the relevant materials and circumstances. I'm confident you will ensure a fair, thorough and due process, which everyone is entitled for. When I was informed of the investigation, I repeatedly asked, verbally and in writing, what the investigation was about, how the investigation was triggered to begin with, what were the specific allegations but, to my surprise, I have been waiting and never got responses. Now here are the charges. When I was dismissed from office, I asked the Director and the Commissioner repeatedly (at least 3 times), did I do anything wrong, did they suspect I did anything wrong, I was told none. I don't know and I am never told the dismissal has anything to do with this allegation. Instead, I was told since I am exempt employee, I can be dismissed at will without any reason. To say the least, the whole ordeal for me personally is very confusing and unjust, and unfair. I'm frustrated and disappointing as I gather myself to move back to mainland. Although I do not control the narrative whatever that is, I was never told about and don't know

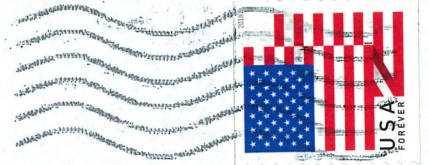
anything about the investigation process, I trust your collective experience and common- sense judgment of fairness and reasonability.

Thank you so much. Appreciate.

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