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FOR FACSIMILE, BIC 226 7555
Patricia D. Petersen
Chief Hearing Officer

November 1, 2010

**VIA FACSIMILE
AND ELECTRONIC MAIL**

Ms. Carol Sureau
Office of Insurance Commissioner
5000 Capitol Blvd
Tumwater, WA 98501

Re: Demand for Hearing
Order to Cease and Desist, No. 10-0199

Ms. Sureau:

This law firm has been retained by CHW Group, Inc. ("CHW"), in connection with the above-referenced matter. We are in receipt of the October 21, 2010 Order to Cease and Desist (the "Order", a copy of which is attached hereto as **Exhibit A**) issued from the Office of Insurance Commissioner (the "OIC"), and hereby formally demand a hearing before an administrative law judge pursuant to RCW 48.04.10, *et seq.*, to challenge the findings and directions of the Order on the grounds set forth below. Additionally, by virtue of this request and pursuant to RCW 48.04.020, all of the Order's terms, directions, conditions and obligations are automatically stayed pending the outcome of the requested hearing. In the event the OIC disagrees with our interpretation of applicable law as providing for an automatic stay of the Order, CHW hereby requests, in writing, pursuant to RCW 48.04.020 (2), that the OIC grant a stay pending the resolution of the requested hearing.

Specifically, the Order, as so written, is overbroad, unduly burdensome, misstates and assumes untrue statements, and seeks to hold mere employees of CHW, acting within the scope of their employment, personally liable and responsible for CHW's alleged misconduct. In fact, the OIC's power to regulate service contract providers is contained in and limited to the statutory scheme set forth in RCW 48.110, *et seq.*, rendering the Order's numerous references to other statutory provisions regulating insurers, not service contract providers, irrelevant, inapplicable and inapposite. Indeed, Washington's purposeful statutory carve-out for service contract providers and intentional statutory delineation of the difference between an insurer and service contract providers underscores the inapplicability of the majority of the Order to CHW. See, *e.g.*, RCW 48.110.080(1), ("a service contract provider...shall not use in its name the words

insurance, casualty, guaranty, surety, mutual, or any other words descriptive of the insurance, casualty, guaranty or surety business.”)

In fact, the distinction in the statute is both reasonable and logical since service contract providers provide a service no insurer would ever provide – the repair or replacement of goods rendered unusable as a result of normal wear and tear as opposed to indemnity for damage resulting from a calamitous or unexpected event. Accordingly, the Order is overly broad and generally inapplicable to CHW. As such, full compliance with the Order, as written, will cause irreparable damage to not only CHW’s operations in Washington, but also its duly licensed and registered business activities in other states. Indeed, many of the inaccurate premises and conclusions drawn in the Order will serve only to tarnish and slander the name of CHW and its affiliates, despite CHW’s past good-faith efforts to comply with Washington’s licensing requirements. Accordingly, a stay is necessary pending resolution of the requested hearing in order to prevent this irreparable injury.

As you are undoubtedly well-aware, our client intends to comply with Washington’s licensing requirements. To that end, upon receipt of your letter in July of 2010, our client not only voluntarily ceased soliciting new business in Washington, but also formulated a plan, in connection with guidance from the OIC, to issue partial refunds to each and every Washington customer. In light of the foregoing, our client was shocked to receive the Order, as its issuance is markedly inconsistent with our client’s continued cooperation with the OIC. As indicated in previous correspondence and conversations with the OIC, CHW’s ultimate goal is to maintain and grow its business in the State of Washington pursuant to the full satisfaction of any and all statutes and regulations. As such, and in the interest of foregoing the expense and disruption of further formal proceedings, CHW remains fully committed to informally resolving this matter by way of a settlement agreement. However, given the gravamen of the allegations against our client, we are obligated to pursue this contemporaneous course of action through the administrative hearing process.

CHW reserves the right to advance further and distinct arguments and evidence in support of its position, and this correspondence is not intended as a complete recitation of all of the facts and circumstances in this matter and is written without prejudice to any of our client’s rights or remedies, whether legal or equitable, all of which are hereby expressly reserved.

Please do not hesitate to contact us with any questions or concerns.

Very truly yours,



Darren Oved

EXHIBIT A