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OIC HEARINGS UNIT
PATRICIA D. PETERSEN
CHIEF PRESIDING OFFICER

IN THE MATTER OF

ZALE DELAWARE, INC.,

Unauthorized Entity,

Respondent.

NO. 13-0332

NOTICE OF REQUEST FOR HEARING
FOR THE IMPOSITION OF FINES,
COLLECTION OF UNPAID PREMIUM
TAXES, AND OTHER RELIEF

TO: Zale Delaware, Inc.
901 West Walnut Hill Lane
Irving, TX 75038

AND TO: Timothy J. Parker, counsel for Zale Delaware, Inc.
Carney Badley Spellman
701 Fifth Avenue, #3600
Seattle, WA 98104
Email: Parker@carneylaw.com

The Washington state Office of the Insurance Commissioner ("OIC") has requested that a hearing be set in this matter by the OIC's Hearings Unit.

A. BASIS

1. Respondent Zale Delaware Inc. ("Zale" or "Respondent"), a Delaware corporation, is not and never has been licensed or authorized by the Washington Insurance Commissioner ("Commissioner") to transact insurance business in this state. Zale is also not and also never has been a registered service contract provider in Washington under RCW 48.110 *et seq.*
2. Between 1999 and 2013, for consideration over and above the purchase price of jewelry sold, Zale sold at least 426,088 contracts to Washington residents. These contracts promised to guarantee any necessary repairs for jewelry. Respondents collected gross revenues of at least \$14,511,034.84 for these sales. Under all contracts referred to herein, Zale is the obligor. These contracts constitute both a service contract under RCW Chapter 48.110 *et seq* and also a contract to indemnify another or pay a specified amount upon determinable contingencies – "insurance" under RCW 48.01.040. Respondent has paid no Washington premium taxes for any of the contracts it has sold.

B. PENALTIES AND RELIEF REQUESTED

3. Zale transacted insurance business in this state without the Commissioner's authorization in violation of RCW 48.05.030(1) and RCW 48.15.020(1). Zale sold Washington residents at least 426,088 contracts of insurance and collected gross revenues of at least \$14,511,034.84 for those sales. Pursuant to RCW 48.15.023(5)(a)(ii), the Washington State Office of the Insurance Commissioner ("OIC") seeks a final order imposing an appropriate fine against Zale in an amount to be determined after hearing for each of Zale's at least 426,088 violations of the Washington Insurance Code ("Code").
4. The at least 426,088 contracts Zale sold also meet the definition of a "service contract" under RCW 48.110.020(17), but Zale is also not and also never has been a registered service contract provider as required under RCW 48.110.030(1). Accordingly, OIC also seeks a final order declaring that Zale violated the Consumer Protection Act, chapter 19.86 RCW, pursuant to RCW 48.110.140.
5. Zale acted as an insurer and transacted insurance in Washington without a Certificate of Authority in violation of RCW 48.05.030(1). Pursuant to RCW 48.14.095(1) and (2), Zale was required under RCW 48.14.020 to pay premium taxes on its collected gross revenues of at least \$14,511,034.84 for the at least 426,088 contracts Zale sold, but to date, Zale has never paid any such taxes. Pursuant to the Code, including the foregoing Code provisions and also including RCW 48.14.060, OIC also seeks a final order that Zale pays all appropriate taxes, penalties, and interest in an amount to be determined after hearing.

C. NOTICE OF HEARING

6. OIC requests that a hearing be held to consider the above-referenced basis, penalties, and relief requested.
7. OIC staff designated to participate in this matter: Alan Singer, P.O. Box 40255, Olympia, Washington, 98504-0255, alans@oic.wa.gov, (360) 725-7046.

Dated at Tumwater, Washington, this 20th day of March, 2014.

MIKE KREIDLER
Insurance Commissioner

By 
ALAN MICHAEL SINGER