

FILED

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

2014 DEC -8 A 11: 54

In the Matter of

GLOBAL WARRANTY GROUP, LLC
d/b/a/ www.globalwarrantygroup.com,
and WIRELESS PROTECTION
PROGRAM ASSOCIATION, d/b/a
www.wirelessprotectionprogram.com,

Respondents.

) **Docket No. 14-0117**

) **Findings of Fact, Conclusions**
) **of Law and Final Order**

TO: Global Warranty Group
500 Middle County Road
St. James, NY 11780

Wireless Protection Program Association
500 Middle County Road
St. James, NY 11780

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COPY TO: Mike Kreidler, Insurance Commissioner
James T. Odiorne, J.D., CPA, Chief Deputy Insurance Commissioner
John F. Hamje, Deputy Commissioner, Consumer Protection Division
Darryl Colman, Esq., Insurance Enforcement Specialist, Legal Affairs Division
AnnaLisa Gellermann, Esq., Deputy Commissioner, Legal Affairs Division
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

On December 5, 2014, this matter came before me for hearing pursuant to the Notice of Hearing, filed July 29, 2014. The Office of the Insurance Commissioner ("OIC") appeared by Darryl Colman, Attorney at Law, Insurance Enforcement Specialist, Legal Affairs Division. Global Warranty Group, LLC dba www.globalwarrantygroup.com ("GWG") and Wireless

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Protection Program Association dba www.wirelessprotectionprogram.com ("WPPA") failed to appear and were not represented by counsel, consistent with the Notice of Non-Appearance at Hearing and the Notice of Withdrawal as Counsel of Record for Global Warranty Group, LLC and Wireless Protection Program Association, both filed on November 21, 2014. GWG and WPPA's failure to attend the hearing constitute their default. *See*, RCW 34.05.440.

The purpose of the hearing was to determine whether GWG and WPPA violated the Washington Insurance Code by engaging in the unauthorized business of insurance and by selling service contracts for cell phones and other electronic devices in the State of Washington without being registered as service contractor providers; and if so, to determine appropriate fines and unpaid premium taxes.

I have considered the exhibits admitted into evidence -- Ex. No. 1-9, Ex. A (spreadsheet), the October 29, 2013, Order to Cease and Desist, No. 13-0298 (I take judicial notice of this Order; *see*, ER 201) -- and the oral argument of the OIC, by Mr. Colman.

FINDINGS OF FACT

1. On June 6, 2014, the Office of the Insurance Commissioner ("OIC") filed a Notice of Request for Hearing for the Imposition of Fines, Collection of Unpaid Premium Taxes, and Other Relief, No. 14-0117 against GWG, WPPA, Arthur Krantz, Charles S. Pipia, and Andrew J. Schenker (hereinafter "Respondents"). In its Notice of Request for Hearing, the OIC alleged that Respondents have sold at least 66,368 service contracts for cell phones and other electronic devices in the State of Washington without being registered under Chapter 48.110 RCW as a service contract provider, or otherwise authorized as an insurer in this state, and have therefore violated Insurance Code provisions including: RCW 48.05.030 (certificate of authority required), RCW 48.15.020 (solicitation by and representation of unauthorized insurer prohibited), RCW 48.17.060 (license required), RCW 48.110.030 (service contract provider registration required), and RCW 48.110.140 (which makes violations of Chapter 48.110 RCW, a violation of Washington's Consumer Protection Act, Chapter 19.86 RCW).
2. A Notice of Hearing was filed July 29, 2014, setting the evidentiary hearing for September 30, 2014.
3. An Order on Respondents' Motion to Dismiss was filed September 8, 2014, denying Respondents' Motion to Dismiss.
4. An Order on Respondents' Motion for Continuance was filed October 22, 2014, continuing the evidentiary hearing to December 5, 2014, on Respondents' unopposed request.
5. An Order on Motion to Dismiss Individual Defendants was filed November 3, 2014, dismissing Mr. Krantz, Mr. Pipia, and Mr. Schenker, and leaving GWG and WPPA as the sole Respondents.

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6. Beginning no later than January 1, 2010, GWG and WPPA, who were not registered service contract providers, sold service contracts, including a "Wireless Protection Program," to Washington residents. Such service contracts promised to provide coverage for lost, stolen, accidentally broken, and liquid-damaged cell phones or other electronic devices.

7. Such service contracts constituted both service contracts provided unlawfully by an unregistered service contract provider under Ch. 48.110 RCW (*see* RCW 48.110.030) and the unauthorized sale of "insurance" under RCW 48.01.040 – a contract whereby one undertakes to indemnify another or pay a specified amount upon determinable contingencies.

8. GWG and WPPA did not pay Washington premium taxes on revenues they received for such service contracts.

9. The OIC's October 29, 2013, Order to Cease and Desist required Respondents to immediately cease and desist from A. engaging in or transacting the unauthorized business of insurance or acting as an unregistered service contract provider in the State of Washington; B. seeking, pursuing and obtaining any insurance or service contract business in the State of Washington; C. soliciting Washington residents to sell any insurance or service contract issued or to be issued by an unauthorized insurer or unregistered service contract provider; D. soliciting Washington residents to induce them to purchase any insurance contract or service contract.

10. Respondents did not appeal the Order to Cease and Desist, and it continues in full force and effect.

11. In violation of the Order to Cease and Desist, GWG and WPPA continued to solicit and transact insurance and service contract business in Washington.

12. For the period January 1, 2010 through March 31, 2013, GWG and WPPA sold no fewer than 50,000 unauthorized service contracts to Washington residents on which the revenues totaled at least \$588,352.57, by GWG's own calculation. *See*, Ex. 6, at p. 4, Question 5.

13. The OIC seeks fines totaling \$250,000, plus unpaid 2% premium taxes totaling \$11,807.25 ($\$590,362.57 \times 2\% = \$11,807.25$).

CONCLUSIONS OF LAW

1. This adjudicative proceeding was properly convened, and all substantive and procedural requirements under the laws of Washington have been satisfied. This Order is entered pursuant to Title 48 RCW, specifically RCW 48.04; Title 34 RCW; and regulations pursuant thereto.

2. GWG and WPPA violated Insurance Code provisions, including RCW 48.050.030 (certificate of authority required), RCW 48.15.020 (solicitation by and representation of

unauthorized insurer prohibited); RCW 48.110.030 (service contract provider registration required).

3. GWG and WPPA violated RCW 48.14.020 by failing to pay required 2% premium taxes of \$11,767.05 (on a total of \$588,352.50). *See*, RCW 48.14.095(1), (2).

4. The OIC may seek the imposition of a civil penalty of not more than \$25,000 for each violation of RCW 48.15.020 or RCW 48.17.060 and not more than \$2000 for each violation of RCW Ch. 48.110. RCW 48.110.130.

5. GWG and WPPA are each liable for fines/civil penalties totaling far more than \$250,000. Regardless of the exact number of service contracts each sold, I would impose fines totaling \$250,000, with joint and several liability on GWG and WPPA for the full amount.

6. The amount of such fines/civil penalties is appropriate given the large number of unlawful service contracts sold by GWG and WPPA to Washington residents, the total revenues collected on such sales, the continued sales in violation of the Order to Cease and Desist, the risk posed to Washington consumers by GWG and WPPA's actions, and the importance of deterring future similar actions by GWG, WPPA, their principals, and others.

ORDER

Global Warranty Group, LLC and Wireless Protection Program Association are jointly and severally liable for, and shall pay, fines to the Office of the Insurance Commissioner totaling \$250,000, plus unpaid premium taxes totaling \$11,767.05.

Said amounts shall be paid to the Office of the Insurance Commissioner, either 1) by mail addressed to P.O. Box 40255, Olympia, WA 98504-0255, or 2) by delivery to 5000 Capitol Boulevard, Tumwater, WA 98501. If payment in full is not received by January 5, 2015, the Commissioner may seek enforcement of this Order from the Thurston County Superior Court pursuant to RCW 48.02.080.

Dated: December 5, 2014



JUDGE GEORGE FINKLE (Ret.)
Presiding Officer

Global Warranty Group, LLC and Wireless Protection Program Association are advised that, pursuant to RCW 34.05.440(3), they may seek vacation (i.e., rescission) of this Order, because it was entered as a default order, by filing a written Motion to Vacate with the undersigned within 7 days of the date of service (date of mailing) of this Order.

Pursuant to RCW 34.05.461(3), the parties are advised that they may seek reconsideration of this order by filing a request for reconsideration under RCW 34.05.470 with the undersigned within 10 days of the date of service (date of mailing) of this order. Further, the parties are advised that, pursuant to RCW 34.05.514 and 34.05.542, this order may be appealed to Superior Court by, within 30 days after date of service (date of mailing) of this order, 1) filing a petition in the Superior Court, at the petitioner's option, for (a) Thurston County or (b) the county of the petitioner's residence or principal place of business; and 2) delivery of a copy of the petition to the Office of the Insurance Commissioner; and 3) depositing copies of the petition upon all other parties of record and the Office of the Attorney General.

Declaration of Mailing

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery through normal office mailing custom, a true copy of this document to the following people at their addresses listed above: Global Warranty Group, Wireless Protection Program Association, Brian F. Kreger, Esq., Mike Kreidler, James T. Odiorne, J.D., CPA, John F. Hamje, Esq., Darryl Colman, Esq., and AnnaLisa Gellermann, Esq.,

DATED this 8th day of December, 2014.


KELLY A. CAIRNS