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OFFICE OF
INSURANCE COMMISSIONER

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BEFORE THE STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

In the Matter of

Order No: 14-0117

GLOBAL WARRANTY GROUP, LLC d/b/a and,
www.globalwarrantygroup.com, and WIRELESS
PROTECTION PROGRAM ASSOCIATION,
d/b/a www.wirelessprotectionprogram.com, and
ARTHUR KRANTZ, CHARLES S. PIPIA, and
and ANDREW J. SCHENKER,

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

Unauthorized entities and individuals.

TO: Global Warranty Group. d/b/a www.globalwarrantygroup.com
500 Middle County Road
St. James, NY 11780

AND TO: Brian Kreger, counsel Global Warranty Group
Kreger Beeghly, PLLC
999 Third Ave. Suite 3000
Seattle, WA 98104-4088

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.

BASIS:

1. Global Warranty Group, LLC ("GWG") is a Florida limited liability company that filed for authorization to transact business in Florida in 2009, listing its managing members or managers as CHARLES S. PIPIA ("Pipia") and ARTHUR KRANTZ ("Krantz"). GWG was organized in New York in 2001. GWG's principal place of business is or was 500 Middle County Road, St. James, New York, 11780. GWG does business as www.globalwarrantygroup.com, which is registered to Global Warranty Group with administrative contact cpipia@globalwarrantygroup.com. Pipia, Krantz and ANDREW J. SCHENKER ("Schenker") are GWG's (1) President & CEO and owner, (2) Chairman and owner, and senior V.P. and CFO, respectively.



1 2. Wireless Protection Program Association, Inc. ("WPPA") is a domestic for-profit
2 corporation incorporated in 2009 in Iowa. WPPA's principal place of business is or was 500
3 Middle Country Road, St. James, New York, 11780. According to the Iowa Secretary of State,
4 Pipia, Krantz and Schenker are WPPA's (1) President, (2) Secretary and Treasurer, and (3)
5 Director. According to Schenker, WPPA's President of the Board of Directors is Pipia and
6 Schenker is WPPA's Secretary/Treasurer for the Board of Directors. WPPA does business as
7 www.wirelessprotectionprogram.com, which is registered to Global Warranty Group with
8 administrative contact Pipia at cpipia@globalwarrantygroup.com.

9 3. The entities and individuals identified herein are not licensed or authorized to transact
10 insurance in Washington, and they are not registered service contract providers in Washington.

11 4. Since at least 2010, GWG and WPPA have sold service contracts, including a
12 "Wireless Protection Program," to Washington residents promising to replace various cell
13 phone and other electronic devices in the event of failure. All Washington contracts sold
14 identify either WPPA or GWG as the obligor and GWG as the administrator.

15 5. The GWG website claims that its "Wireless Protection Program" is "specifically
16 designed to protect your phone and provide coverage for all things not covered under the
17 manufacturer's factory warranty ... [c]overage includes lost, stolen, broken, accidental
18 damage, liquid damage and more."

19 6. The WPPA website describes an "EZ Guard™" program, which "is a 1- or 2-year
20 program providing replacement protection against loss, theft, accidental breakage and liquid
21 damage for cell phones valued at up to \$150.00 (MSRP)."

22 7. Similarly, the WPPA website describes a "Preferred™" program, which "is an
23 additional 1- or 2-year program providing replacement protection against loss, theft, accidental
24 breakage and liquid damage for cell phones and smartphones valued at up to \$1,000.00
25 (MSRP)."

26 8. These contracts constitute both a service contract under Chapter 48.110 RCW, and also
a contract to indemnify another or pay a specified amount upon determinable contingencies --
"insurance" under RCW 48.01.040. GWG, WPPA, Pipia, Krantz, and Schenker have paid no
Washington premium taxes for any of the contracts they have sold.

9. GWG did apply previously for a Chapter 48.110 RCW registration, but that application
was denied. In OIC's November 16, 2010 letter denying GWG's application, OIC wrote:

RCW 48.110.030(1) provides that an entity shall not act as, offer to act as, or
represent itself as a service contract provider in Washington, or sell a service
contract to a Washington consumer, unless the entity has a valid registration as a
service contract provider issued by this Office. Be aware that issuance of a

1 service contract without registration constitutes an illegal act of insurance,
2 punishable as a felony under Chapter 48.15 RCW.

3 10. GWG did not appeal OIC's November 2010 denial of their application for Chapter
4 48.110 RCW registration. Instead, GWG and WPPA continued to sell the aforementioned
5 service contracts, which are also contracts of insurance.

6 11. Accordingly, on October 29, 2013, OIC issued a Cease and Desist Order, No. 13-0298.
7 The Order instructed GWG, WPPA, Pipia, Krantz, and Schenker and their officers, directors,
8 trustees, employees, agents, and affiliates to immediately cease and desist from:

9 A. engaging in or transacting the unauthorized business of insurance or acting
10 as an unregistered service contract provider in the State of Washington;

11 B. seeking, pursuing and obtaining any insurance or service contract business
12 in the State of Washington;

13 C. soliciting Washington residents to sell any insurance or service contract
14 issued or to be issued by an unauthorized insurer or unregistered service contract
15 provider;

16 D. soliciting Washington residents to induce them to purchase any insurance
17 contract or service contract.

18 12. GWG, WPPA, Pipia, Krantz, and Schenker did not appeal Order No. 13-0298. Instead,
19 GWG, WPPA, Pipia, Krantz, and Schenker and their officers, directors, trustees, employees,
20 agents, and affiliates continue to solicit and transact insurance and service contract business,
21 contrary to the Order and without authorization or licensure under Washington law. In fact,
22 the WPPA website claims that "[o]ur programs are fully compliant in all 50 states and Canada
23 and we meet and adhere to all industry and governmental regulations and standards."

24 **B. PENALTIES AND RELIEF REQUESTED**

25 1. By selling at least 66,368 service contracts for at least approximately \$554,581, GWG,
26 WPPA, Pipia, Krantz, and Schenker have violated Insurance Code provisions that include
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 (violation of
RCW 48.110 *et seq* is a violation of Washington's Consumer Protection Act, RCW Chapter
19.86). Each statute has been violated at least 66,368 times.

2. GWG, WPPA, Pipia, Krantz, and Schenker have also violated RCW 48.14.020 by
failing to timely pay 2% premium taxes.

1 3. Pursuant to RCW 48.110.120(2), OIC is authorized to initiate a hearing pursuant to
2 RCW 48.04.050 or take actions described in RCW 48.02.080, including the issuance of a cease
3 and desist order. In addition, pursuant to RCW 48.15.023 and RCW 48.17.063, OIC may also
4 take further steps, including the imposition of a civil penalty of not more than \$25,000 for each
5 violation of RCW 48.15.020 or RCW 48.17.060.

6 4. Pursuant to RCW 48.14.095(1), RCW 48.05.030(1), RCW 48.14.095(2), RCW
7 48.14.020, and RCW 48.14.060, OIC is authorized to take steps to ensure premium taxes are
8 paid by all insurers.

9 5. OIC requests that GWG, WPPA, Pipia, Krantz, and Schenker be ordered to pay a fine
10 in the amount of \$250,000.00 (Two Hundred and Fifty Thousand Dollars) to the Insurance
11 Commissioner's office within thirty days of the entry of this Order. GWG, WPPA, Pipia,
12 Krantz, and Schenker should share joint and several liability for the payment of this fine.

13 6. OIC requests that GWG, WPPA, Pipia, Krantz, and Schenker be ordered to pay
14 premium taxes in the amount of \$11,091.62 (Eleven Thousand and Ninety-One Dollars and
15 Sixty-Two Cents) to the Insurance Commissioner's office within thirty days of the entry of this
16 Order. GWG, WPPA, Pipia, Krantz, and Schenker should share joint and several liability for
17 the payment of these premium taxes.

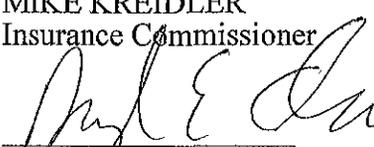
18 C. NOTICE OF HEARING

- 19 1. OIC requests that a hearing be held to consider the above-referenced basis, penalties, and
20 relief requested.
- 21 2. OIC staff will participate in this matter through its designated representative, Darryl E.
22 Colman, P.O. Box 40255, Olympia, Washington, 98504-0255, DarrylC@oic.wa.gov, (360)
23 725-7118.

24 Dated at Tumwater, Washington, this 6th day of June, 2014.

25 MIKE KREIDLER
26 Insurance Commissioner

By


Darryl E. Colman
OIC Staff Attorney
Legal Affairs Division

CERTIFICATE OF MAILING

1
2 The undersigned certifies under the penalty of perjury under the laws of the State of
3 Washington that I am now and at all times herein mentioned, a citizen of the United States, a
4 resident of the State of Washington, over the age of eighteen years, not a party to or interested
5 in the above-entitled action, and competent to be a witness herein.
6

7 On the date given below I caused to be served the foregoing NOTICE OF REQUEST
8 FOR HEARING FOR THE IMPOSITION OF FINES, COLLECTION OF UNPAID
9 PREMIUM TAXES, AND OTHER RELIEF on the following individuals via Hand Delivery,
10 and US Mail at the below indicated addresses:
11

12 **HAND DELIVERED:**

13 Hearings Unit
14 George Finkle, Presiding Officer
15 Office of Insurance Commissioner
16 5000 Capitol Blvd.
17 Tumwater, WA 98502

18 **VIA US MAIL**

19 Global Warranty Group. d/b/a www.globalwarrantygroup.com
20 500 Middle County Road
21 St. James, NY 11780

22 Brian Kreger, counsel Global Warranty Group
23 Kreger Beeghly, PLLC
24 999 Third Ave. Suite 3000
25 Seattle, WA 98104-4088
26

SIGNED this 6th day of June, 2014, at Tumwater, Washington.


Christine Tribe