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**STATE OF WASHINGTON**  
**OFFICE OF THE INSURANCE COMMISSIONER**

*In the Matter of*

Order No. 14-0117

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

OIC RESPONSE TO  
GLOBAL WARRANTY'S  
MOTION TO DISMISS

The Insurance Commissioner for the State of Washington ("OIC"), by and through the undersigned, his authorized designee, submits the following Response in opposition to the Motion to Dismiss of the above-named unauthorized entities and individuals ("Global Warranty"). Global Warranty has not cited any procedural authority for its Motion to Dismiss, and it is unclear what basis Global Warranty would have for doing so in this matter involving material disputed facts. Regardless, OIC's administrative action against Global Warranty is authorized under the insurance code, including the use of staff attorneys to present OIC's case to the presiding officer. Furthermore, several of Global Warranty's violations of the

1 Insurance Code took place well within two years of OIC's Notice. Global  
2 Warranty's Motion accordingly lacks merit, and should be denied.

3 **ANALYSIS**

4 **A. OIC's Action Against Global Warranty Is Specifically**  
5 **Authorized By The Insurance Code.**

6 OIC is authorized to conduct the present administrative action, an  
7 internal adjudicative proceeding conducted by and before the  
8 Commissioner's delegates. Numerous Code provisions authorize and  
9 require the Commissioner to conduct and participate in such proceedings as  
10 part of his core duty – to enforce the provisions of the Code. *See* RCW  
11 48.02.060(2). The Commissioner's authority includes both "the authority  
12 expressly conferred upon him or her by or reasonably implied from the  
13 provisions of this code." RCW 48.02.060(1). RCW 48.04.010(1)  
14 authorizes the Commissioner to "hold a hearing for any purpose within the  
15 scope of this code as he or she may deem necessary." RCW  
16 48.02.060(3)(c) also authorizes the Commissioner to conduct hearings, in  
17 addition to those specifically provided for in the Code, as he sees "useful  
18 and proper" to accomplish "the efficient administration of any provision of  
19 the Code." Moreover, each and every one of the Commissioner's powers  
20 and duties found in the Code "may be exercised or discharged by any  
21 deputy, assistant, examiner, or employee of the commissioner acting in his  
22 or her name and by his or her authority." RCW 48.02.100.

23 The specific relief here sought by OIC is specifically authorized  
24 under the Code. For example, OIC is seeking to impose a fine on Global  
25 Warranty for violations of RCW 48.15.020(1), which provides that an  
26 "insurer that is not authorized by the commissioner may not solicit

1 insurance business in this state or transact insurance business in this state.”  
2 Accordingly, RCW 48.15.023(5)(a)(ii) authorizes the Commissioner to  
3 assess monetary penalties against unauthorized insurers “after providing  
4 notice and an opportunity for hearing under chapters 34.05 and 48.04  
5 RCW.” OIC is also seeking to impose a fine on Global Warranty for  
6 violations of RCW 48.17.060 (“A person “shall not sell, solicit, or negotiate  
7 insurance in this state for any line or lines of insurance unless the person is  
8 licensed for that line of authority.”) Again, the Code authorizes the  
9 Commissioner to assess monetary penalties for each such unauthorized sale,  
10 solicitation, or negotiation “after providing notice and an opportunity for  
11 hearing under chapters 34.05 and 48.04 RCW.” RCW 48.17.063(4)(a)(iii).

12 In a similar fashion, the Commissioner may impose a fine on service  
13 contract providers for violations of Chapter 48.110 RCW or insurance  
14 regulations generally, subject to providing a notice and a hearing under  
15 Chapter 48.04 RCW. RCW 48.110.130. Finally, while assessment of  
16 unpaid premium tax does not first require a hearing, RCW 48.14.060, the  
17 Code requires the Commissioner to hold a hearing upon request of any  
18 person aggrieved by such act, as Global Warranty has requested here.  
19 RCW 48.04.010(1)(b).

20 The foregoing authorities demonstrate that this hearing, following  
21 notice, has been specifically authorized for each of OIC’s requested relief  
22 or penalties against Global Warranty. Global Warranty semantic argument  
23 that OIC is not authorized to “initiate” this proceeding is incorrect. “Within  
24 the scope of its authority, an agency may commence an adjudicative  
25 proceeding at any time with respect to a matter within the agency’s  
26 jurisdiction.” RCW 34.05.413(1). “An adjudicative proceeding

1 commences when the agency or a presiding officer notifies a party that a  
2 prehearing conference, hearing, or other stage of an adjudicative proceeding  
3 will be conducted.” RCW 34.05.413(5). As set forth above, the  
4 Commissioner has the authority to impose a fine on Global Warranty for  
5 violations of the Insurance Code following notice and an opportunity for a  
6 hearing, as has been amply given here. RCW 48.15.023(5)(a)(ii); RCW  
7 48.17.063(4)(a)(iii). OIC’s Notice provided the factual and legal basis for  
8 ~~the requested penalties, and requested a hearing.~~ The Hearings Unit  
9 notified OIC and Global Warranty that a hearing will be conducted and has  
10 already held the prehearing conference. Nothing more was required to  
11 properly commence this administrative action.

12 **B. OIC’s Use Of A Staff Attorney To Present This Administrative**  
13 **Action Is Permitted Under The Insurance Code.**

14 1. *The Commissioner’s Dual Role In Holding Hearings,*  
15 *Delegated to His Staff.*

16 As established above, the Commissioner has the broad authority to  
17 hold and conduct hearings, both those that are expressly provided for, and  
18 those that the Commissioner deems necessary or useful or proper to carry  
19 out the provisions of the Code. RCW 48.04.010(1); RCW 48.02.060(3)(c);  
20 RCW 48.02.060(1). This authority to hold and conduct hearings under the  
21 Insurance Code has a dual nature, including both a duty to present charges  
22 of violations of the Code and a duty to determine if the charges are justified  
23 and proven. RCW 48.02.060(2); RCW 48.04.010(1). The Commissioner’s  
24 dual responsibilities in this setting differ from the traditional court setting  
25 involving a judge and parties, but are not an uncommon administrative  
26 agency feature.

1           The Commissioner's ability to discharge both duties is made  
2 possible by the Legislature's broad grant of power allowing him to ask any  
3 member of his staff to discharge any of his duties and powers for him.  
4 RCW 48.02.100. Common sense also dictates that such delegation is  
5 appropriate. The Commissioner cannot single handedly carry out the  
6 mission of his office and the hundreds or thousands of other duties he holds  
7 under the Code. He must necessarily delegate to staff members authority to  
8 act on his behalf.

9           Pursuant to RCW 48.02.100, the Commissioner has chosen to  
10 separate out his dual role in this matter by delegating and authorizing two  
11 different members of his staff to exercise and discharge his powers and  
12 duties in two distinct roles. First, the Commissioner has delegated his  
13 ultimate adjudicative decision-making powers to an impartial chief  
14 presiding officer. Under Code section RCW 48.02.100 and Washington's  
15 Administrative Procedures Act section RCW 34.05.461(1)(b) and  
16 34.05.464, the Commissioner may designate a staff member to serve in this  
17 role and issue final orders. Second, the Commissioner also delegated other  
18 employees –including the undersigned OIC staff – to present the facts and  
19 reasons relevant to enforcing the provisions of the Code. When the OIC  
20 staff present facts and reasons to the presiding officer this way, they act not  
21 as the Commissioner's legal counsel, nor represent the Commissioner in  
22 any traditional attorney-client sense, but rather, they act in the  
23 Commissioner's name by performing the functions of the Commissioner  
24 himself. By choosing to conduct and participate in such proceedings  
25 through delegation to his employees under RCW 48.02.100, the  
26 Commissioner performs his Code duties in an appropriate manner. Because

1 the Commissioner has properly authorized and delegated his employees  
2 (including the undersigned) to execute and discharge his duties and powers  
3 in his name using RCW 48.02.100's express permission to do so, Global  
4 Warranty's Motion has no merit.

5 2. The Statutes And Case Law Governing Representation By The  
6 Attorney General Are Not Applicable.

7 OIC has long interpreted the powers of the Commissioner to hold and  
8 ~~conduct hearings under Title 48 RCW to not conflict with the requirements~~  
9 of Chapter 43.10 RCW, governing representation by the Attorney General.  
10 That is because OIC staff attorneys are acting as the Commissioner's  
11 designees when they present facts and reasons to the presiding officer in  
12 administrative actions, rather than as legal counsel. RCW 48.02.100.  
13 Accordingly, Chapter 43.10 RCW's provisions about representation of state  
14 agencies by the Attorney General's office do not conflict with the  
15 Commissioner's practice of having staff present his case to the presiding  
16 officer pursuant to his broad powers to enforce Title 48 RCW. A further  
17 examination of Global Warranty's cited statutes and case law demonstrates  
18 that OIC's administrative practice with staff attorneys does not conflict with  
19 the Attorney General's representation and authority.

20 RCW 43.10.030(2) provides that the Attorney General shall  
21 "[i]nstitute and prosecute all actions and proceedings for, or for the use of  
22 the state, which may be necessary in the execution of the duties of any state  
23 officer." The plain language of this statute does not limit the initiation of  
24 prosecution of actions to *only* the Attorney General, as Global Warranty  
25 contends, and this statute should not be interpreted in such a way when the  
26 agencies involved (OIC and the Attorney General) have not done so.

1 Furthermore, RCW 43.10.030(2) only triggers the Attorney General's duty  
2 to act as an official's attorney when "necessary in the execution of the  
3 duties of any state officer." As previously explained, the Commissioner has  
4 the authority and the option to delegate to his own staff to act in his own  
5 name in matters like the present one. RCW 48.02.100. Since the  
6 Commissioner has the express and implied authority to conduct and hold  
7 this hearing entirely on his own, or through his designated staff serving in  
8 his place, the Commissioner does not need any legal representative to  
9 present his case. Accordingly, the Attorney General's involvement here is  
10 not "necessary," and RCW 43.10.030(2) does not apply.

11 For like reasons, RCW 43.10.040 and RCW 43.10.067 also do not  
12 apply here. RCW 43.10.067 prevents hiring of outside counsel "to act as"  
13 an agency's legal advisor or legal representative to "exercise of any of the  
14 powers or performance of any of the duties specified by law to be  
15 performed by the attorney general." RCW 43.10.067. But in the present  
16 matter, the Commissioner's staff members are not serving in the attorney-  
17 client advisor or legal representative role; instead, they are designees of the  
18 Commissioner's own powers and duties. OIC employees do not need to be  
19 legal counsel in order to present facts and reasons to the hearing officer in  
20 these administrative matters. The Commissioner himself has the ability to  
21 present evidence and legal reasons for decision at hearing; his designees,  
22 such as the undersigned, are merely carrying out that function as if they  
23 were the Commissioner. RCW 48.02.100. The Commissioner's staff  
24 members are not performing "any of the powers or performance of any of  
25 the duties specified by law to be performed by the attorney general" when  
26 they do so. Thus, RCW 43.10.067 does not apply.

1 For the same reason, RCW 43.10.040, which requires that an attorney  
2 general represent agencies of the state “in the courts, and before all  
3 administrative tribunals or bodies of any nature, in all legal or quasi legal  
4 matters, hearings, or proceedings,” also does not apply here. Again, the  
5 statute does not say that *only* the Attorney General may represent such  
6 agencies in such formats. Even if the representation were deemed to be  
7 exclusive, contrary to the plain language of the statute and the long practice  
8 of OIC, it still does not matter because OIC staff are not “representing” the  
9 Commissioner in the legal sense intended by RCW 43.10.040; instead, they  
10 are presenting cases to the presiding officer as if they were the  
11 Commissioner himself, acting as his authorized delegates. RCW 48.02.100.

12 Global Warranty’s cited cases are also inapposite. *State v. Gattavara*  
13 is not an insurance case, does not interpret any provision of Title 48 RCW  
14 (which had not been enacted yet), and did not involve an administrative  
15 action, as Chapter 34.05 RCW (the Administrative Procedure Act) also had  
16 not been enacted yet. 182 Wash. 325 (1935); *see* Laws 1947 c 79; *see also*  
17 Laws 1988 c 288. *Gattavara* provides no guidance on whether the  
18 Commissioner can use staff attorneys to present OIC’s case to the  
19 Commissioner’s designated presiding officer in administrative actions,  
20 which is the issue here. As its holding is irrelevant to the matter at hand, it  
21 does not support Global Warranty’s motion.

22 Similarly, *Goldmark v. McKenna*, *Sanders v. State*, and *State v.*  
23 *Herrmann*, also do not address the question at hand: whether OIC may use  
24 staff attorneys to present the Commissioner’s case to the presiding officer in  
25 administrative actions, acting as his designees. RCW 48.02.100; *contrast*  
26 *Goldmark v. McKenna*, 172 Wn.2d 568 (2011); *Sanders v. State*, 166

1 Wn.2d 164 (2009); *State v. Herrmann*, 89 Wn.2d 349 (1977). None of  
2 these cases involved the propriety of a particular form of notice and hearing  
3 administrative action. Neither *Goldmark*, 172 Wn.2d 568, nor *Sanders*, 166  
4 Wn.2d 164, involve the Insurance Code in any way, and *Herrmann* was  
5 decided purely on grounds involving Chapter 4.92 RCW, not Title 48  
6 RCW. 89 Wn.2d at 355-56. Instead, these cases all involved litigation  
7 about whether the Attorney General should have represented a litigant  
8 following a request for representation by that person. *Id.* That is not the  
9 case here, where the Commissioner has not requested that the Attorney  
10 General prosecute this or like administrative hearings as his legal  
11 representative. Most importantly, none of those cases support Global  
12 Warranty's requested relief: dismissing this administrative action just  
13 because the Attorney General is not prosecuting this action before the  
14 Commissioner's designated presiding officer. Since Global Warranty's  
15 cited case law and statutory law are inapposite and do not conflict with  
16 OIC's long-standing practice to have staff present these administrative  
17 cases to the presiding officer, Global Warranty's motion is meritless and  
18 should be denied.

19 3. *Even If Chapter 43.10 RCW Conflicts With Title 48 RCW, Title*  
20 *48 RCW Controls Under Traditional Rules Of Statutory Interpretation.*

21 OIC has never interpreted Chapter 43.10 RCW to conflict with OIC's  
22 hearing process using staff attorneys at the administrative level, and this  
23 tribunal does not have authority to determine the scope of Chapter 43.10  
24 RCW. Instead, OIC has long interpreted the hearings provisions of Title  
25 48, combined with the requirement of the Commissioner to decide those  
26 hearings and enforce the code, combined with the authority of the

1 Commissioner to delegate any and all of his powers to his designated  
2 subordinates, to allow staff attorneys to present OIC's factual and legal case  
3 to the presiding officer in administrative actions such as this. RCW  
4 48.04.010(1); RCW 48.02.060(3)(c); RCW 48.02.100; RCW 48.02.060(1).  
5 "Deference to agency interpretation of a statute is appropriate when the  
6 agency is charged with responsibility for administering that statute." *Bailey*  
7 *v. Allstate Ins. Co.*, 73 Wn. App. 442, 447 (1994) (citation omitted). OIC is  
8 ~~charged with interpreting and applying the Insurance Code, and thus its~~  
9 long-standing interpretation on this issue is entitled to deference. *Id.*; *see*  
10 *also Port of Seattle v. Pollution Control*, 151 Wn.2d 568, 612 (2004).

11 This interpretation is bolstered by the provision of RCW 48.02.080  
12 that requires that the Attorney General "shall prosecute or defend all  
13 proceedings brought pursuant to the provisions of this code when requested  
14 by the commissioner." RCW 48.02.080(4) (emphasis added.) The  
15 underlined section of the statute would be superfluous and without meaning  
16 if the Attorney General always had to be involved in every proceeding  
17 under Title 48. "In construing a statute, we give effect to all its language so  
18 that 'no portion is rendered meaningless or superfluous.'" *Friends of*  
19 *Columbia Gorge, Inc. v. Wash. State Forest Practices*, 129 Wn. App. 35, 47  
20 (2005). Instead, OIC's long-standing interpretation of these provisions,  
21 which allows for the participation by the Attorney General in these  
22 proceedings, but does not require it, should be followed.

23 "Another general rule of statutory construction gives preference to  
24 the later-adopted statute and to the more specific statute if two statutes  
25 appear to conflict." *Bailey*, 73 Wn. App. at 446 (citation omitted). This  
26 rule of interpretation also favors OIC's practice. The hearings provisions of

1 Title 48 RCW are more specific than Chapter 43.10 RCW, since the power  
2 to hold hearings under the insurance code necessarily is limited to  
3 administrative actions under the subject matter area of insurance. In  
4 contrast, the provisions of Chapter 43.10 apply broadly to all court and  
5 administrative cases. If there is a conflict between the Commissioner's  
6 ability to delegate the prosecution of these administrative cases to staff  
7 attorneys and the Attorney General's broad duty to act as the state's legal  
8 advisor, Title 48 RCW's provisions, as the more specific statute, should  
9 control. *See Bailey*, 73 Wn. App. at 446. In the same way, the provisions  
10 of the Insurance Code were enacted later than the provisions of Chapter  
11 43.10 RCW. *See Laws 1941 c 50* (RCW 43.10.040 and RCW 43.10.067);  
12 *see also Laws 1929 c 92* (RCW 43.10.030); *contrast Laws 1947 c 79*  
13 (Chapters 48.02 and 48.04 RCW). Under either rule of interpretation, to the  
14 degree there is a conflict, the broad powers of the Commissioner under the  
15 Insurance Code must prevail. *See Bailey*, 73 Wn. App. at 446. Therefore,  
16 Global Warranty's Motion should be denied.

17 C. OIC's Action Is Not Barred By The Statute Of Limitations Because  
18 The Statute of Limitations Was Tolled And Because Global Warranty's  
19 Violations Occurred Within Two Years Of OIC's Notice.

20 RCW 4.16.100(2) provides that "[a]n action upon a statute for a  
21 forfeiture or penalty to the state" shall be commenced within 2 years. In  
22 contrast, RCW 4.16.160 provides that:

23 "There shall be no limitation to actions brought in the name or  
24 for the benefit of the state, and no claim of right predicated  
25 upon the lapse of time shall ever be asserted against the state:  
26 And further provided, That no previously existing statute of

1 limitations shall be interposed as a defense to any action  
2 brought in the name or for the benefit of the state.”

3 The Washington Supreme Court has attempted to reconcile these apparently  
4 contradictory statutes “on the basis of the penal/remedial distinction.” *U. S.*  
5 *Oil & Ref. Co. v. State*, 96 Wn.2d 85, 90 (1981). This means that remedial  
6 actions, “compensating the public for a tangible loss it has suffered,” are  
7 not subject to a statute of limitations. *Id.*; *see also* RCW 4.16.160.  
8 Accordingly, OIC’s attempt to collect unpaid premium taxes from Global  
9 Warranty is not subject to the two year statute of limitations, and Global  
10 Warranty’s Motion to Dismiss should be denied. *Id.*; *see* RCW 48.14.060.

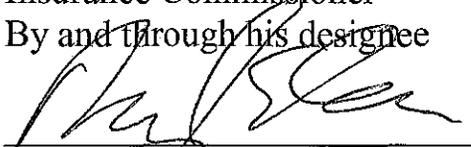
11 In contrast, OIC’s intended penalties against Global Warranty for its  
12 violations of the Insurance Code are apparently subject to the two-year  
13 statute of limitations under *U. S. Oil*. 96 Wn.2d at 90. However, this  
14 Motion to Dismiss should still be denied. As stated on OIC’s notice, Global  
15 Warranty’s websites were actively soliciting insurance and service contract  
16 business at the time of the June 2014 Notice, well within the two-year  
17 statute of limitations. (See Notice of Request for Hearing for the Imposition  
18 of Fines, Collection of Unpaid Premium Taxes, and Other Relief, OIC  
19 Order No. 14-0117, Page 3.) Furthermore, an April 5, 2013, email by Mr.  
20 Schenker to Alan Singer of OIC indicates that Global Warranty was  
21 continuing to sell the contracts involved here through at least March 31,  
22 2013, again well within the two year statute of limitations. (See Exhibit A  
23 hereto, pages 4-5.)

24 Moreover, in *U.S. Oil*, the Washington Supreme Court held that “the  
25 action was commenced, for tolling purposes, with the notice of the  
26 penalties.” 96 Wn.2d at 91-92. Here, OIC gave notice of its intent to

1 penalize Global Warranty when it issued its Order to Cease and Desist, No.  
2 13-0298, on October 29, 2013. All of the violations contained in the Order  
3 to Cease and Desist, such as unauthorized solicitation and transaction of  
4 insurance, and solicitation and transaction of service contracts without  
5 registration, are also among the bases for the penalties requested in OIC's  
6 present Notice, No. 14-0117. Global Warranty received further notice of  
7 the requested violations and penalties when OIC employee Alan Singer  
8 mailed Global Warranty on December 24, 2013, a proposed consent order  
9 outlining the same violations and fines that OIC requests now. (See Exhibit  
10 B hereto.) These OIC actions provided Global Warranty sufficient notice  
11 of the Insurance Code violations and requested fines to toll the statute of  
12 limitations under *U.S. Oil*. 96 Wn.2d at 91-92. For these additional  
13 reasons, Global Warranty's Motion to Dismiss should be denied.

14 DATED this 22 day of August, 2014.

15  
16 MIKE KREIDLER  
17 Insurance Commissioner  
18 By and through his designee

19   
20 Darryl E. Colman  
21 OIC Staff Attorney  
22 Legal Affairs Division  
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April 5, 2013

Washington State Office of the Insurance Commissioner  
PO Box 40255  
Olympia, Washington 98504-0255  
Attn: Alan Michael Singer, Staff Attorney, Legal Affairs

In Re: Global Warranty Group – OIC matter no. 1058462

Dear Mr. Singer;

Below please find my responses to your questions as outlined in your email dated March 19, 2013.

**PREMISE:** As you can see, one of the attached PDF documents (“5-11-11 Wireless Protection Program Association sales materials”) includes a May 2011 “Wireless Protection Program Extended Service Contract.” It purports to relate the “Wireless Protection Program Association” (“WPPA”) promised coverage for a “Loss” and it sets out the “Terms and Conditions” for its “Handset Maintenance Protection Program.” You will note the ‘Terms and Conditions’ reference Global Warranty Group (“GWG”) as the “administrator.” Regarding this:

1. **QUESTION:** Please fully explain the legal status of the WPPA? For example, is (or was) it a legal entity, such as a limited liability company, or does (did) it not truly exist? If it exists or existed, please fully explain and indicate who owns both WPPA and GWG and identify all of each’s voting and all nonvoting owners, managers, members, principals, officers, capital contributors, and directors. Please also explain the relationship between the WPPA and GWG.

**RESPONSE:**

- a) Please fully explain the legal status of the WPPA? For example, is (or was) it a legal entity, such as a limited liability company, or does (did) it not truly exist?
  - a. The Wireless Protection Program Association, Inc. (“WPPA”) is a legal entity, with its own federal identification number (EIN 32-0130265), established on October 11, 2004 is currently operating, and is domiciled in Iowa.
  - b) If it exists or existed, please fully explain and indicate who owns both WPPA and GWG and identify all of each’s voting and all nonvoting owners, managers, members, principals, officers, capital contributors, and directors.
    - a. WPPA is owned by its Members.

WPPA has contracted with Global Warranty Group, LLC. (“GWG”) to provide the following services as described in the Managerial Services Agreement;

- a. Provide management personnel and administration of all operations and programs offered by the Association.
- b. Assist in billing, collection and processing of fees. Premiums and other remittances from its members.

GLOBAL WARRANTY GROUP, LLC | 500 Middle Country Road | St. James, New York 11780  
631.750.0300 | Fax 631.750.9617  
www.globalwarrantygroup.com

Exhibit A



**GLOBAL  
WARRANTY  
GROUP**

- c. Assist in the administration and processing of claims and disbursements.
- d. Assist in the maintenance of necessary computer and other records.
- e. Assist in the giving of required notices to Members of any lapse of coverage.
- f. Assist in the forwarding to the Association of all written consumer complaints and resolve the same.
- g. Assist in the provision of those standard supplies, contracts and infrastructure needed for the administration of the programs.
- h. Assist in the processing of requests for termination of coverage in accordance with the terms and conditions of the programs,
- i. Assist in the processing of changes requested by Members including name changes, address changes, increases and decreases in coverage amounts, reinstatements, etc...
- j. Assist in the processing and payment of all due and payables fees.
- k. Such other services as may be reasonably required from time to time in connection with the maintenance, support and administration of the products (programs).

c) Regarding, Global Warranty Group, LLC. ("GWG") the administrator, it has two members:

- i. Charles Pipia, Member (50%)
- ii. Arthur Krantz, Member (50%)

And two officers:

- iii. Andrew J. Schenker, Sr. VP, Chief Financial Officer
- iv. Karl Lassig, Sr. VP, Chief Operating Officer

**2. QUESTION: Describe the money flow for this program. Specifically, take me through an example of when a claim is paid: where does the deductible go, who expends time and money meeting the obligation to "cover Loss of Your Covered Product"? Where is GWG at in this money flow chain, and how does what it receives differ from WPPA?**

**RESPONSE:**

- a) Describe the money flow for this program.
  - a. WPPA recognizes the total funds collected less the amount retained by the dealer, collected by its Members.
  - b. The premium is then submitted per its agreement to Starr Indemnity & Liability Company ("Starr") the programs insurance company.
  - c. GWG's administration fee pays for time and personnel expended to administer the program, marketing, office supplies, and funds management, etc... needed to support the WPPA program.
- b) Specifically, take me through an example of when a claim is paid: where does the deductible go, who expends time and money meeting the obligation to "cover Loss of Your Covered Product"?
  - a. The following is an overview of the Claims Process:
  - b. Customer contacts the 24/7/365 Claims Center to initiate a claim.

GLOBAL WARRANTY GROUP, LLC | 500 Middle Country Road | St. James, New York 11780  
631.750.0300 | Fax 631.750.9617  
www.globalwarrantygroup.com



**GLOBAL  
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GROUP**

- c. Customer Service Representative (CSR) verifies all claimant contract information.
- d. CSR collects the *deductible* information provided from claimant (credit card information). Credit card is charged via a merchant account and funds transmitted to GWG to be used to offset the cost of the replacement device.
- e. CSR submits the claim for processing.
- f. The claim then moves to the Claims Department where a Claims Representative (CR) reviews the claim to insure all information has been properly entered and received.
- g. Claims Department transfers Claim into "be ordered status" device is ordered and shipped to the customer via 2<sup>nd</sup> day air.
- h. Claim is sent to accounting for processing closing and payment to the vendor.
- i. GWG then receives funds from Starr to pay for claims and GWG nets the collected deductible to offset the Members claim.

3. **QUESTION:** GWG's website identifies a number of offered programs, including one which appears to be the same "Wireless Protection Program." Please fully explain each of GWG's offered-in-Washington programs, and please provide a copy of all consumer contracts and terms and conditions of these programs, along with a description of how these products/programs are sold to Washington residents.

**RESPONSE:** GWG's website is there for commercial promotion of GWG. The Association has its own website [www.wirelessprotectionprogram.com](http://www.wirelessprotectionprogram.com). On the Association website members can find additional benefits and services.

Attached are copies of two types of replacement programs offered in Washington, one for iPhone, iPad and Tablets and the other for all other devices. Each of the offered programs use the same documents, the difference is in the program fees which can be paid monthly, prepaid with 1 or 2 year terms. And the deductibles based on the type of devices owned by the Member.

The WPPA programs are offered for sale by independent wireless retailers in Washington. As part of its services GWG provides training to store owners and store personnel, brochures and marketing material.

**PREMISE:** I understand that the attached Excel document was provided by you and/or Mr. Hart of Fortegra to Ms. Hanson. It appears to list 21,781 Washington residents who were sold a GWG product between January 1, 2010 and January 1, 2012 – the vast majority of which appear to have been sold a product through Diamond Wireless. I understand that \$161,662.18 was collected from these sales. Regarding this:

*Please note that the spreadsheet sent to Ms. Hanson was provided by me.*

*The spreadsheet has also been corrected for a pricing error.*

4. **QUESTION:** What product exactly was the product that the aforementioned Washington residents were sold? Was it the same "Wireless Protection Program Extended Service Contract" that I have attached? If multiple products were sold, please specify and break down which of the listed consumers bought which product, and please include a copy of the form(s) of the consumer contract(s) that was or were sold to these people.



**RESPONSE:** For the period 1/1/10 to 1/1/12 as stated above the following contracts types where sold, copies attached:

Program Name	Form Number
Dealer Monthly (3 Tier)	B3-DEAL3TIER -8/11
Dealer Monthly (Diamond)	DiaW DWP SILC 1112
iPhone Tablet	iPhone 2yr Tablet 8.11 LS
Preferred 1 Year	B4-PREF1YR - 8.11
Preferred 2 Year	B5-PREF2YR - 8/11

**5. QUESTION:** As to the money collected from these Washington residents, please clarify (a) the total amount these consumers in the Excel document attached were charged by dealers for the sale of this product or these products, (b) the amount of money retained by the selling dealers, (c) a breakdown of the amount and location where sales proceeds went to be set aside to pay claims, and (d) a copy of the contract between GWG and each of its dealers selling GWG's products to Washington residents.

**RESPONSE:**

- a) The total amount these consumers in the Excel document attached were charged by dealers for the sale of this product or these products.
  - a. In each of the files listed below there is a column labeled suggested retail price, this should represent the amount the dealer charged the Washington resident.
    - i. WAD01 Contract Summary as Submitted Jan2010\_Jan2012 4 4 12 (4).xls
    - ii. WPPA Washington Activations 20120201 to 20130331.xls
- b) The amount of money retained by the selling dealers.
  - a. For the period January 1, 2010 to January 31, 2012 total retained by dealers was \$ 46,451.74.
  - b. For February 1, 2102 to March 31, 2013 the amount retained was \$ 80,401.56.
- c) A breakdown of the amount and location where sales proceeds went to be set aside to pay claims.
  - a. For the period January 1, 2010 to January 31, 2012 total for premium and admin was \$ 148,981.69.
  - b. For February 1, 2102 to March 31, 2013 the total for premium and admin was \$ 312,517.58.



**GLOBAL  
WARRANTY  
GROUP**

- d) A copy of the contract between GWG and each of its dealers selling GWG's products to Washington residents.
- a. The only dealer we have a contract with is Diamond Wireless a copy of which is attached.
6. **QUESTION: What Washington sales have taken place since January 1, 2012, to the present day? Please provide an updated document listing such sales, the name, address, and date of sale, the specific product sold, a copy of the form of the contract sold, and the monies collected. (Please provide a copy of the Wireless Protection Program contract currently being solicited in Washington, if it has changed from the one included in the attached May 2011 "Wireless Protection Program Extended Service Contract.") If sales are ongoing through new or different dealers, please identify those dealers.**

**RESPONSE:**

- a) What Washington sales have taken place since January 1, 2012, to the present day?
    - a. From February 1, 2012 to March 31, 2013 retail sales to Washington resident have totaled \$392,919.14.
    - b) Please provide an updated document listing such sales, the name, address, and date of sale, the specific product sold, a copy of the form of the contract sold, and the monies collected.
      - a. The attached excel spreadsheet entitled "WPPA Washington Activations 20120201 to 20130331" contains all of the information requested.
    - c) (Please provide a copy of the Wireless Protection Program contract currently being solicited in Washington, if it has changed from the one included in the attached May 2011 "Wireless Protection Program Extended Service Contract.")
      - a. Contracts currently being sold in Washington:
        - i. B3-DEAL3TIERM357 SILC 912
        - ii. DiaW DWP SILC 1112
        - iii. D11-IPH2YTabSILC 912
        - iv. D10-IPHMonthly Tab SILC 92012
        - v. B5-Pref2Y49 SILC 912
    - d) If sales are ongoing through new or different dealers, please identify those dealers.
      - a. Dealer list is the same except for the following:
        - i. No longer a dealer:
          1. Buzz Wireless
        - ii. New dealers:
          1. Wireless Retailers
          2. GIG Harbor Wireless
          3. Cellphone Outlet, Inc.
7. **QUESTION: For all Washington sales made, regardless of date, provide a list identifying the Washington residents who have made claims under the programs they purchased. For each claimant, please indicate whether the claim was paid or honored, or whether it was denied or dishonored. Please include each consumer's telephone number.**



**RESPONSE:** Attached you will find the following report which delineates all claims for Washington residents from 1/1/2010 to 3/31/2013. Please note that every claim has been honored.

File name: WPPA Claims Report WA 01012010-03312013

**PREMISE:** I have also attached a PDF document ("Global Warranty Group Wireless Protection Program brochure") that appears to be a brochure for the Wireless Protection Program. Regarding this:

8. **QUESTION:** Please provide copies of all sales materials and brochures and other product or program-related literature provided or made available to Washington residents, whether by your company or any of its dealers/agents.

a. Please see attached file.

9. **QUESTION:** As to "Tough Cell" ([www.toughcell.com](http://www.toughcell.com)) (a) please indicate whether it ever has been or ever will be sold or offered to Washington residents and, if so, explain how (i.e., if sold through dealers, please identify the dealers or other sellers to explain how it's sold) (b) please identify Tough Cell's legal status (for example, is (or was) it a legal entity, such as a limited liability company, or does (did) it not truly exist), (c) please identify who owns Tough Cell and identify all of its voting and all nonvoting owners, managers, members, principals, officers, capital contributors, and directors, (d) please explain the relationship between the Tough Cell and GWG, and (e) please identify any other similar offerings to Tough Cell's that GWG has any similar relationship to and that is offered to Washington residents.

**RESPONSE:** Tough Cell is not related in way to GWG or WPPA. Tough Cell is/was an independent internet-based wireless retailer who no longer sells our programs.

I am hopeful that the responses to your questions above; along with the attached exhibits provides you with the information that you need to satisfy your investigation favorably. However, if you need anything further or have any questions please do not hesitate to contact me. As I mentioned in the past to Ms. Hanson if we need to change or amend anything we will comply post haste. Thank you.

Sincerely,

Andrew J. Schenker  
Sr. Vice President  
Chief Financial Officer

Attachments



OFFICE OF  
INSURANCE COMMISSIONER

December 24, 2013

VIA US MAIL AND VIA E-MAIL (BCasev@lockelord.com)

Brian T. Casey  
Locke Lord LLP  
3333 Piedmont Road, NE, Suite 1200  
Atlanta, GA 30305

RE: Global Warranty Group *et al*  
Proposed Consent Order No. 13-0330

Dear Mr. Casey:

Enclosed are two originals of Washington State Office of Insurance Commissioner's Consent Order Levying a Fine. This Order will result in your clients being required to pay premium taxes and a fine.

If your clients wish to resolve this matter, please have them or their authorized representatives sign and return both of the original Orders. Upon receipt, the Orders will be signed by me, entered with our office, and one of the executed originals will be returned to you for your records. Your clients will then have 30 days in which to pay the taxes and fine. If your clients wish to include payment with the Orders, please make the check payable to the Office of the Insurance Commissioner and mail to Delia Zebroski, Fiscal Analyst, Operations Division, PO Box 40255, Olympia, Washington 98504-0255 or deliver to 5000 Capitol Blvd., Tumwater, WA 98501. Otherwise, please send your correspondence to my attention.

Please note that this is a settlement proposal. If the matter proceeds to a contested hearing, while a lower fine or more favorable outcome may result, a higher fine or other less favorable action may also be sought and imposed. If your clients will not execute the enclosed Orders, please advise. If we have not received the signed documents by **Friday January 17, 2014**, this offer is withdrawn and we will proceed with further action authorized under the Insurance Code.

If you have any questions regarding this matter, please feel free to contact me at (360) 725-7046.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Michael Singer".

Alan Michael Singer, Staff Attorney  
Legal Affairs Division

Enclosures



OFFICE OF  
INSURANCE COMMISSIONER

IN THE MATTER OF

GLOBAL WARRANTY GROUP, LLC and  
WIRELESS PROTECTION PROGRAM  
ASSOCIATION, d/b/a  
[www.globalwarrantygroup.com](http://www.globalwarrantygroup.com) and  
[www.wirelessprotectionprogram.com](http://www.wirelessprotectionprogram.com); and  
ARTHUR KRANTZ, CHARLES S. PIPIA,  
and ANDREW J. SCHENKER,

Unauthorized Entities and Individuals,  
Respondents.

ORDER NO. 13-0330

CONSENT ORDER  
LEVYING A FINE

The Insurance Commissioner of the State of Washington, pursuant to the authority set forth in Title 48 RCW, having reviewed the official records and files of the Office of the Insurance Commissioner ("OIC"), makes the following:

**FINDINGS OF FACT:**

1. Respondent 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 Respondents Charles S. Pipia and Arthur Krantz. GWG was organized in New York in 2001. GWG's principal place of business is or was 500 Middle Country Road, St. James, New York, 11780. GWG does business as [www.globalwarrantygroup.com](http://www.globalwarrantygroup.com), which is registered to Global Warranty Group with administrative contact [cpipia@globalwarrantygroup.com](mailto:cpipia@globalwarrantygroup.com). Respondents Pipia, Krantz and Andrew J. Schenker are GWG's (1) President & CEO and owner, (2) Chairman and owner, and (3) Sr. VP and CFO. WPPA is a/k/a "Wireless Protection Program Association, Inc.", a domestic profit corporation incorporated in 2009 in Iowa. WPPA's principal place of business is or was 500 Middle Country Road, St. James, New York, 11780. According to the Iowa Secretary of State, Respondents Pipia, Krantz and Schenker are WPPA's (1) President, (2) Secretary and Treasurer, and (3) Director. According to Respondent Schenker, WPPA's President of the Board of Directors is Respondent Pipia and Respondent Schenker is WPPA's Secretary/Treasurer for the Board of Directors. WPPA does business as [www.wirelessprotectionprogram.com](http://www.wirelessprotectionprogram.com), which is registered to Global Warranty Group with administrative contact Respondent Pipia at [cpipia@globalwarrantygroup.com](mailto:cpipia@globalwarrantygroup.com).

2. Since at least 2010, Respondents have sold at least 66,368 service contracts to Washington residents promising to replace various cell phone and other electronic devices in the event of failure. Respondents collected at least \$554,581 for these sales. All Washington contracts sold identify either WPPA or GWG as the obligor and GWG as the administrator. 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. Respondents have paid no Washington premium taxes for any of the contracts they have sold.

#### **CONCLUSIONS OF LAW:**

1. By selling at least 66,368 service contracts for at least approximately \$554,581, Respondents violated Insurance Code provisions that include RCW 48.05.030 (certificate of authority required), RCW 48.15.020 (solicitation by 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), at least 66,368 times. Respondents have also violated RCW 48.14.020 by failing to timely pay 2% premium taxes.

2. Pursuant to RCW 48.110.120(2), the Commissioner is authorized to initiate a hearing pursuant to RCW 48.04.050 or take actions described in RCW 48.02.080, including the issuance of a cease and desist order. Pursuant to RCW 48.14.095(1), RCW 48.05.030(1), RCW 48.14.095(2), RCW 48.14.020, and RCW 48.14.060, the Commissioner is authorized to take steps to ensure premium taxes are paid by all insurers. In addition, pursuant to RCW 48.15.023 and RCW 48.17.063, the Commissioner may also take further steps, including 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.

#### **CONSENT TO ORDER:**

Respondents, acknowledging their duty to comply fully with the applicable laws of the State of Washington, consent to the following in consideration of their desire to resolve this matter without further administrative or judicial proceedings. The Insurance Commissioner consents to settle the matter in consideration of Respondents paying premium taxes and a fine and on such terms and conditions as are set forth below.

1. Respondents consent to the entry of this Order, waive any and all hearing rights, and waive any and all further administrative or judicial challenges to this Order.

2. By agreement of the parties, the Insurance Commissioner will impose a fine of \$250,000.00 (Two Hundred and Fifty Thousand Dollars), to be paid by Respondents, with Respondents sharing joint and several liability for the payment of this fine, within thirty days of the entry of this Order.

3. By agreement of the parties, Respondents will pay premium taxes in the amount of \$11,091.62 (Eleven Thousand and Ninety-One Dollars and Sixty-Two Cents), which shall be paid to the treasurer through the Insurance Commissioner's office, with Respondents sharing joint and several liability for the payment of these premium taxes; Respondents shall pay these premium taxes to the Insurance Commissioner's office within thirty days of the entry of this Order.

4. Respondents understand and agree that any future failure to comply with the statutes that are the subject of this Order constitutes grounds for further penalties, which may be imposed in response to further violations.

5. The failure of Respondents to pay the fine and premium taxes within the time limit set forth above may result in any other and further actions authorized under the laws of the State of Washington, including additional assessments and penalties for failure to timely pay the premium taxes pursuant to RCW 48.14.060, and in the recovery of any unpaid fine and premium taxes through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 2014.

GLOBAL WARRANTY GROUP, LLC and WIRELESS PROTECTION PROGRAM ASSOCIATION

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

CHARLES S. PIPIA

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

ARTHUR KRANTZ

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

ANDREW J. SCHENKER

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

**ORDER:**

Pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. Respondents shall pay a fine in the amount of \$250,000.00 (Two Hundred and Fifty Thousand Dollars) to the Insurance Commissioner's office within thirty days of the entry of this Order. Respondents share joint and several liability for the payment of this fine.

2. Respondents shall pay premium taxes in the amount of \$11,091.62 (Eleven Thousand and Ninety-One Dollars and Sixty-Two Cents) to the Insurance Commissioner's office within thirty days of the entry of this Order. Respondents share joint and several liability for the payment of these premium taxes.

3. A failure by Respondents to pay the fine and premium taxes within the time limit set forth above may result in any other and further actions authorized under the laws of the State of Washington, including additional assessments and penalties for failure to timely pay the premium taxes pursuant to RCW 48.14.060, and in the recovery of any unpaid fine and premium taxes through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this \_\_\_\_ day of \_\_\_\_\_, 2014.

MIKE KREIDLER  
Insurance Commissioner

By \_\_\_\_\_  
Alan Michael Singer  
Legal Affairs Division



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