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## IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON

#### IN AND FOR THE COUNTY OF THURSTON

In Re:

NORTH AMERICAN DEALER CO-OP; NATIONAL ADMINISTRATIVE DEALER SERVICES, INC.; AND HENRY C. ("HANK") BAILEY, JR.,

No. 09-2-01710-4

ORDER GRANTING MOTION FOR STAY

Petitioners.

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THIS MATTER having come on before the Court upon Petitioners' Motion for Stay of the Final Findings of Facts, Conclusions of Law and Order on Hearing filed on July 10, 2009 by Chief Hearing Officer Patricia D. Petersen; Petitioners represented by Brian M. King and DAVIES PEARSON, P.C.; State of Washington Office of the Insurance Commissioner represented by Marta De Leon and the OFFICE OF THE ATTORNEY GENERAL; and the Court having reviewed the records, declarations and pleadings herein and having heard the arguments of counsel, and being otherwise fully advised in the premises; and

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24 ORDER GRANTING MOTION FOR STAY

25 Page 1 of 3

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DAVIES PEARSON, P.C.

ATTORNEYS AT LAW 920 FAWCETT -- P.O. BOX 1657 TACOMA, WASHINGTON 98401 TELEPHONE (253) 620-1500 TOLL-FREE (800) 439-1112 FAX (253) 572-3052

TOLL-FREE (800) 439-1112 FAX (253) 572-3052

1	Presented by:
2	DAVIES PEARSON, P.C.
3	Attorneys for Petitioners
4	Ву:
5	BRIAN M. KING, WSBA#29197
6	
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8	Copy received, approved as to form:
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10	OFFICE OF THE ATTORNEY GENERAL Attorneys for Office of the Insurance Commissioner
11	1 AM
12	By: MARTA DE LEON, WSBA# 35779
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24	ORDER GRANTING DAVIES PEARSON, P.C. ATTORNEYS AT LAW
25	MOTION FOR STAY  Page 3 of 3  kk s:\lxxxx\164xx\16432\1\plead\judicial review\ordergrantingstay.doc  RTOKNETS AT LAW 920 FAWCETT P.O. BOX 1657 TACOMA, WASHINGTON 98401 TELEPHONE (253) 620-1500
26	TOLL-FREE (800) 439-1112 FAX (253) 572-3052

TOLL-FREE (800) 439-1112 FAX (253) 572-3052 to a customer by a dealer member. The dealer reserves are held by Access Insurance Services, Inc., as MGA for Western Insurance Company, in Reno, Nevada, and used to pay claims for the dealer's reimbursement guarantee. NADC, NADS, and Mr. Bailey do not control or have access to the funds in the reserve account.

- 8. Since 2004, the reserve account has been sufficient to pay all claims. The reserve account is closely monitored in order to ensure that it is adequately funded. However, in the event the reserve account were to be depleted at some time in the future, the Western Insurance Company surety bond will cover all valid claims by customers who received the money-back guarantee.
- 9. The reserve account and surety bond are presently in place for all Washington customers who have received a money-back guarantee from Washington dealer members. The reserve account and surety bond adequately protect all Washington consumers who receive a money-back guarantee from Washington NADC dealer members. Therefore, Washington consumers are fully protected and covered by the reserve account and surety bond. The Western Insurance Company bond is an ongoing surety bond. Western Insurance Company and NADC dealer members intend to continue their relationship for the foreseeable future, so it will also cover all prospective customers who receive a money-back guarantee.

DECLARATION OF DICK L. ROTTMAN, IN SUPPORT OF MOTION FOR STAY

Page 3 of 4

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DAVIES PEARSON, P.C. ATTORNEYS AT LAW 920 FAWCETT - P.O. BOX 1657 TACOMA, WASHINGTON 98401 TELEPHONE (259) 620-1500 TOLL-FREE (800) 439-1112 FAX (253) 572-3052

1	I declare under penalty of perjury under the laws of the State of Washington that
2	the foregoing is true and correct.
3	DATED at Reno, Nevada, this 6th day of August, 2009.
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5	Wick Soft
б	DICK L. ROTTMAN
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24	DECLARATION OF DICK L. ROTTMAN,  DAVIES PEARSON, P.C.  AUTORNEYS AT LAW
25	Page 4 of 4 920 FAWCETT - P.O. BOX 1657 TACOMA, WASHINGTON 98401
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# **EXHIBIT A**

#### WESTERN INSURANCE COMPANY P.O. BOX 21030 RENO, NEVADA 89515 775/829-6650

## VEHICLE SERVICE CONTRACT REIMBURSMENT GUARANTEE PERFORMANCE CONTRACT

DECLARATIONS						
Contract Number WCB211349			. •			
Item 1. Named Principal and M			•		nistrative Office:	
North American Dealer		C) and its Memb	ers and Subsidiaries	N.A.D	N.A.D.C.	
3301 South Virginia St.,	Ste. 201				1661 Wadsworth Blvd.	
Reno, Nevada 89502				Lakew	rood, CO 80214	
Item 2. Contract Period	FROM: 04-01-04 TO: Continuous until Cancelled or Non-Renewed					
Item 3. Premium Rates & Lin	rafte.	Rate	Limit of	Aggregate Limi	t of Liability	
VSC Reimbursement Gu		Per Rate	VSC Cost	Amount Paid By F		
, 44 22-22-42-22-22-22-22-22-22-22-22-22-22-2		Sheet	Not to exceed	For Underlying V		
Minimum Term: 48 Mo	rths	Provided	\$2,500 per VSC		*	
			-			
Busis of Premium:					•	
Item 4. Deductible				*		
VSC Reimbursement Guarante	<u> </u>			\$ N/A	•	
VSC Reimbursement Guaranti				<u> </u>		
Item 5. Service Contract Reim	bursement (	Juarantees:				
			•			
Forms provided by Adm	inistrator an	d approved in w	iting by NADC and	the Сошрану	•	
Item 6. Program Administrato	r;					
NI-62I A 3	T)1 B'-	I 014DM				
National Administrative 1661 Wadsworth Blvd.	Desier Servic	sea' mo' (M'YT)?)			1	
Lakewood, CO 80214			٠ .	•	·	
· Dimovood, GO 60214		;				
Item 7. Endorsements				:		
				, -		
Endorsement A		Dated 04-01-0	4			
Audit Freq. Prior Pol	licy	Branch	Producer Code	Producer		
As required by Company	1		•	Access Insuran	ce Services, Inc.	
					•	
· · · · · · · · · · · · · · · · · · ·	j					
Authorized Representative:		Date				
Va. Jan- 1		4/1/09	/			
Access Insurance Services, Inc.	<del></del>	7/1/2			•	
in and a result and a convious, 1110.		•				

### 'EHICLE SERVICE CONTRAC REIMBURSMENT GUARANTEE AGREEMENT

#### WESTERN INSURANCE COMPANY

3301 South Virginia St., Ste. 201 Reno, Nevada 89502

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

The Company agrees with the Named Principal, in consideration of the prompt payment of the premium when due, and in reliance upon the statements in the Declarations and in the application, and subject to the limits of liability, exclusions, conditions and other terms of this policy, as follows:

#### I. VEHICLE SERVICE CONTRACT REIMBURSEMENT GUARANTEE:

We agree to reimburse the Named Principal for loss from contractual benefits extended under Valid Vehicle Service Contract Reimbursement Guarantees as a result of non use of a Valid Vehicle Service Contract (VSC), provided that all duties, terms, and conditions of this policy and the Guarantees have been fulfilled. The Company's liability per covered Loss shall be:

A. The amount paid by a Vehicle Service Contract Reimbursement Guarantee Purchaser for a Valid Vehicle Service Contract, providing, however, that such cost shall not exceed two thousand, five hundred dollars (\$2,500) per VSC. The maximum amount under this policy shall be no greater than the total amount paid for valid Vehicle Service Contracts by all Purchasers, excluding any amounts paid for individual VSCs in excess of two thousand five hundred dollars (\$2,500).

#### II. Definitions:

Whenever appearing herein,

- A. Company, We, Us, Our means Western Insurance Company.
- B. Named Principal means the entity name in Item 1 of the Policy Declarations and each of its Members and Subsidiaries.
- C. Vehicle Service Contract Reimbursement Guarantee means the warranty, guarantee benefit or contract issued by the Named Principal to the Service Contract Reimbursement Guarantee Purchaser(s). Valid

Vehicle Service Contract Reimbursement Guarantees are those agreements reported to the Company by the Program Administrator and for which the applicable premium has been paid in accordance with the provisions herein.

- D. Vehicle Service Contract Reimbursement Guarantee Purchaser (Purchasers) means the vehicle owner purchasing a Valid Vehicle Service Contract and a Vehicle Service Contract Reimbursement Guarantee and entitled to recovery of benefits under the Guarantee issued by the Named Principal, its Members or Subsidiaries.
- E. Valid Vehicle Service Contract is any Vehicle Service Contract of not less than forty-eight (48) months duration sold by any Member of the Named Principal or Subsidiaries and reported to the Program Administrator on the forms provided.

I. Loss paid by ( Named Principal which is not paid in ac lance with the terms and conditions of this policy and or the conditions of the Guarantee.

#### VI. REPORTING CONDITIONS

Within forty-five (45) days after the end of each month, unless directed otherwise by us in writing, the Named Principal and/or the Program Administrator will provide a sales bordereau to the Company reporting the Premium and the following information for each individual Guarantee effective during the month:

- A. Purchaser name.
- B. Contract registration number.
- C. Contract effective date.
- D. VSC term.
- E. VSC cost.
- F. Member's or Subsidiary's number.
- G. Contract expiration date.

The Company may in writing, at any time and from time, waive the monthly reporting requirement for one or more of the above Items. Such waiver shall not be considered a continuing waiver or precedent for future monthly reporting. The Company shall have thirty (30) days from receipt of the sales bordereau to request additional information on individual Guarantees reported on the sales bordereau. If the Company makes no such request, the information pertaining to Guarantees reported on the sales bordereau shall be deemed acceptable as reported. Incomplete or inaccurate information shall not invalidate coverage under this policy provided that the Named Principal can show evidence to the Company's reasonable satisfaction that a Guarantee was issued and reported to the Company and that premium was paid as provided herein.

#### VII. PREMIUMS

#### A. Payment of Premiums

All premiums due and payable by the Named Principal shall accompany the sales bordereau, including any premiums due prior to and after termination of this policy.

#### B. Premium Computation

The computed premium due and payable to the Company will be determined by applying the rate for each Guarantee included during the monthly reporting period.

#### C. Revision to Rates

The rates upon which premiums are based may be changed by the Company provided that rate increases shall not be effective until such time as the Company has provided the Named Principal with at least sixty (60) days advance notice of the change by mail at the address shown in Item 1 of the policy Declarations. Any revision shall apply to Guarantees issued after the effective date of such revision.

- F. Program Administration of the administrator for all Guarantees and shall have the authority to administrator for all Guarantees.
- G. Member(s) means individual automobile dealerships that enroll with and are a part of The North American Dealer Co-op or its Subsidiaries.
- H. Loss means the amount of benefit paid to a Purchaser under the terms of a valid Guarantee.

#### III. TERRITORY

This policy applies to Guarantees issued within the United States, its territories, and the District of Columbia and Canada for losses occurring within these jurisdictions.

#### IV. POLICY PERIOD

This policy is in effect from the Effective Date specified in Item 2 of policy Declarations to the Expiration Date specified Item 2 of policy Declarations, or its earlier termination date, if any. Upon policy termination, coverage under this policy will continue for the period specified under the Guarantees issued during the policy period, provided that Guarantees are reported to the Company with payment of appropriate premium in accordance with terms of this policy.

#### V. EXCLUSIONS

This policy will not apply to any liability arising under or as a result of:

- A. Costs or expenses other than those specifically stated in Guarantees.
- B. Negligence of any kind by the Named Principal, its Members, Subsidiaries and/or by the Program Administrator.
- C. Third party liability, bodily injury, property damage, personal injury, any intentional tort or advertising injury by or against the Named Principal, Members, Subsidiaries, the Program Administrator, Purchasers or any other party.
- D. Costs, expenses, attorney fees or interest thereon, arising from any suit in law or equity, whether incurred by the Named Principal, a Member, Subsidiary, Purchaser, Program Administrator, and/or any other party, in defense of such suit or whether awarded to a claimant or their attorney(s).
- E. Punitive or exemplary damages, fines, penalties, taxes, legal fees, expenses, return of fees or other consideration, or that portion of any award of judgment caused by the trebling or multiplication of actual damages.
- F. Any warranty, guarantee, benefit or agreement which has not received the prior written approval of the Company.
- G. Guarantees issued and/or originated prior to the effective date of this policy or after termination of this policy, or any Guarantee for which the Named Principal has not reported and remitted payment in accordance with the terms of this policy.
- H. Any fraudulent, illegal, dishonest or criminal act or activity by the Named Principal, Members, Purchasers, Subsidiaries, Program Administrator, and/or any officer, employee, director, trustee or agent thereof; whether acting alone or in collusion with others, including without limitation conversion, secretion and/or embezzlement by the Named Principal, Member, Purchaser, Program Administrator, Subsidiary, and/or any other party in lawful possession of the vehicle.

### VIII. DUTIES IN THE EVENT OF LOSS

In order for coverage to be provided under this Policy, the Program Administrator must:

- A. Within ninety (90) days of the notice from the Named Principal and within thirty (30) days of receipt of the following claim documents, provide the Company with proof of loss, utilizing forms provided by the Company, which shall include:
  - 1. A Copy of the Guarantee;
  - 2. A copy of the Vehicle Service Contract Administrator's verification that no claims had been paid under the Vehicle Service Contract; and
  - Verification that the Purchaser is the current owner of the vehicle identified in the Guarantee.
- B. If requested, permit the Company to inspect any records or property tending to prove or establish the value of the loss.
- C. If requested, permit the Company to question the Named Principal, Program Administrator, Member, Subsidiary and/or the Purchaser under oath, at such times as may be reasonably required, about any matter relating to this policy or the loss.
- D. Fully cooperate with the Company in investigation and settlement of the loss. The rights of individual Members, Subsidiaries, or Purchasers under this policy shall be limited to reimbursement of benefits contractually owed by the Named Principal under valid Guarantees covered by this policy; but only in the event of insolvency of the Named Principal or an inability to collect covered benefits under a valid Guarantee from the Named Principal, Members or Subsidiaries.

#### IX. LOSS PAYMENT

A. The Company shall reimburse the Named Principal, Members or Subsidiaries for loss covered under this policy within thirty (30) days after receipt of complete documentation as referenced in Section A of Article VIII, DUTIES IN THE EVENT OF LOSS; or the Company reaches agreement with a Member, Purchaser or Subsidiary.

#### X. CONCEALMENT, MISREPRESENTATION OR FRAUD

In the event of fraud, misrepresentation or intentional concealment of a material fact by the Named Principal, Program Administrator, Member, Subsidiary and/or Purchaser concerning this policy or any Guarantee subject to coverage, the Company may deny coverage afforded by this policy for all applicable or affected Guarantees, void this policy, and/or deny any benefit afforded by this policy.

#### XI. NO BENEFIT TO BAILEE

No person or organization other than the Named Principal and/or any applicable Member, Subsidiary and/or Purchaser shall have a right to or benefit from this policy.

### XII. SUBROGATION AND RECOVERIES

If the Company makes any payment hereunder to the Named Principal, or Member, and the Named Principal, Program Administrator, Member, Subsidiary and/or Purchaser has rights or remedies to recover payments from another, those rights or remedies are transferred to the Company. The Named Principal, Program Administrator, Purchaser, Subsidiary and/or Member must deliver instruments and papers and do everything necessary to secure the Company's rights to recover such payments and must not do anything to impair or prejudice such rights. Any recoveries made by the Named Principal, Program Administrator, Purchaser, Subsidiary and/or Member shall become the property of the Company to the extent of payments made by the Company.

#### XIII. CHANGES TO CONTRACT

This policy and all endorsements thereto make up the entire agreement. No change in this policy shall be valid unless it is in writing and signed by an officer of the Company. No Named Principal, Member, Purchaser, Subsidiary, Program Administrator, agent or other party shall have the authority to alter, amend or waive any provision of this policy.

#### XIV. LEGAL ACTION AGAINST US

- a. No action at law or in equity may be brought to recover under this policy until thirty (30) days after full compliance with all duties in event of loss specified in ARTICLE VIII and all other terms and conditions of this policy. Any such action must be brought within one (1) year after compliance with all such duties in event of loss.
- b. The Company shall not be interpleaded by the Named Principal, Program Administrator, Subsidiary or any Member or their legal representatives in any legal action.

#### XV. INSPECTION AND AUDIT RIGHTS

As required by the Company, the Named Principal, any Member, and the Program Administrator shall keep records of all information relative to this policy while this policy is in effect, after which time the files will be submitted to the Company. The Company or its duly authorized representative shall have the right to inspect and examine the Named Principal's, any Member's, Subsidiary's, or the Program Administrator's premises, books and other records (insofar as they relate to this policy), at any time during the policy period or any time after expiration of this policy. By our right to inspect or our making any inspection, the Company makes no representation that the Named Principal's, any Member's, Subsidiary's and/or the Program Administrator's books and records are adequate or in compliance with any law, rule or regulation.

#### XVI. ASSIGNMENT

No rights, duties and/or interests under this policy may be transferred, delegated, and/or assigned without the prior written consent of the Company.

### XVII. CANCELLATION OR NON-RENEWAL OF THE POLICY

#### A. Cancellation by the Company

This policy may be cancelled by the Company for non-payment of premium by mailing written notice of such cancellation to the Named Principal, at the administrative office address shown in Item 1 of the policy Declarations, at least ten (10) days prior to the effective date of such cancellation.

The Company may cancel this policy for any other reason by mailing written notice of such cancellation to the Named Principal at the administrative office address shown in Item 1 of the Declarations at least ninety (90) days prior to the effective date of such cancellation. If this policy has been in effect for more than sixty (60) days, it may be cancelled by the Company only for one of the following reasons:

- 1. Non-payment of premium;
- 2. Material increase in the risk:
- 3. Any fraudulent act, material misrepresentation or false statement knowingly made by the Named Principal, any Member, Subsidiary and/or the Program Administrator.

The effective date of cancellation stated in the notice shall become the end of the policy period. A Post Office Certificate of Mailing shall be sufficient proof of notice.

#### B. Non-Renewal by the Company

This policy may be non-renewed by the Company by mailing written notice of such non-renewal to the Named Principal at the administrative office address shown in Item 1 of the policy Declarations at least one hundred and eighty (180) days prior to any policy expiration or anniversary date. A Post Office Certificate of Mailing shall be sufficient proof of notice. Notice to the Named Principal shall constitute notice to all Members and Subsidiaries. The Members or Subsidiaries have no right to non-renew this policy.

#### C. Cancellation by the Named Principal

The Named Principal shall have the right to cancel this policy by surrendering the policy to the Company or by mailing to the Company written notice of its intent to do so. Any such written notice must specify the effective date of cancellation by the Named Principal. The time of surrender by the Named Principal or the effective date of cancellation stated in the notice shall become the end of the policy period. Notice from the Named Principal shall constitute notice from and to all Members and Subsidiaries of the cancellation. The Members or Subsidiaries have no right to cancel this policy.

#### XVIII. SEVERABILITY

If any provision of this policy shall be rendered illegal or unenforceable by the laws, regulations or public policy of any state, such provision shall be considered void in such state. Any such voiding shall not affect the validity or enforceability of any other provision of this policy or the enforceability of such provision in any other jurisdiction.

#### XIX. REPRESENTATIONS

By acceptance of this policy, the parties agree that 1) the statements in the policy Declarations are complete and accurate; 2) the statements in the policy Declarations and all reports provided by the Named Principal serve as material representations made by the Named Principal to the Company; and 3) the Company has issued this policy based upon the truth and accuracy of such representations.

# VALIDATIŎN

The provisions included herein, along with the Declarations Page and any Endorsements issued complete this evidence of coverage.

#### IN WITNESS WHEREOF:

the Company indicated on the Declarations Page of the policy has caused the policy to be signed by its President and Secretary, but this policy shall not be valid unless the Declarations are countersigned, when necessary, by a duly authorized representative of the Company.

evel & Ingalls
Secretary

THIS NOTICE OF VALIDATION IS ATTACHED TO AND FORMS PART OF YOUR EVIDENCE OF COVERAGE

Issued by:

Western Insurance Company

Executive Offices:

3301 South Virginia Street, Suite 202

Reno, Nevada 89502-4512

DATED

WESTERN INSURANCE COMPANY P.O. BOX 21030 RENO, NEVADA 89515 775/829-6650

## VEHICLE SERVICE CONTRACT REIMBURSEMENT GUARANTEE PERFORMANCE CONTRACT

#### Rider

Effective Date:

2/1/2007

Contract Number:

WCB211349

Principal:

North American Dealer Co-op (NADC) and its Members and

Subsidiaries

It is hereby understood and agreed that Item 3. Premium Rates & Limits is amended as follows:

Limit of VSC Cost Not to exceed \$4,000 per VSC

Minimum Term:

60 months from current date of sale and exceed any

manufacturer "bumper to bumper" coverage by at least 24

months

Authorized Representative:

Date:

12/15/2006

Access the brance Services Inc.

X EXPEDITE 1 No Hearing Set X Hearing is set 2 Date: Friday, August 10, 2009 Time: 9:00 a.m. 3 Judge/Calendar: McPhee 4 5 IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON 6 7 IN AND FOR THE COUNTY OF THURSTON 8 In Re: 9 NORTH AMERICAN DEALER CO-OP: No. 09-2-01710-4 10 NATIONAL ADMINISTRATIVE DEALER SERVICES, INC.; AND HENRY **DECLARATION OF** 11 C. ("HANK") BAILEY, JR., **FACSIMILE SIGNATURE** 12 Petitioners. 13 14 15 16 KATHY KARDASH, Legal Assistant to Brian M. King, declares under penalty of 17 perjury under the laws of the State of Washington, that the facsimile document attached 18 to this declaration titled, Declaration of Dick L. Rottman in Support of Motion for Stay, 19 consisting of seventeen (17) pages including this declaration page, is a complete and 20 legible facsimile that I have examined personally and that was received by me via FAX at 21 the following number: 253-572-3052. 22 23 24 DECLARATION OF FACSIMILE SIGNATURE DAVIES PEARSON, P.C. ATTORNEYS AT LAW Page 1 of 2 920 FAWCETT -- P.O. BOX 1657 25 kk / s:\lxxxx\164xx\16432\l\plead\judicial review\fax signature declaration~rottman.doc TACOMA, WASHINGTON 98401 TELEPHONE (253) 620-1500 26 TOLL-FREE (800) 439-1112

FAX (253) 572-3052

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct to the best of my knowledge information and belief. Signed at Tacoma Washington this 6<sup>th</sup> day of August, 2009. Legal Assistant DECLARATION OF FACSIMILE SIGNATURE DAVIES PEARSON, P.C. ATTORNEYS AT LAW 920 FAWCETT -- P.O. BOX 1657 kk / s:\1xxxx\164xx\16432\1\plead\judicial review\fax signature declaration~rottman.doc TACOMA, WASHINGTON 98401

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TOLL-FREE (800) 439-1112 FAX (253) 572-3052