

OFFICE OF INSURANCE REGULATION

KEVIN M. McCARTY
COMMISSIONER

IN THE MATTER OF:

WARRANTY ADMINISTRATION SERVICES
CORPORATION; MARK E. ANDERSON;
DON TAYLOR; and ROBERT S. PYLAND

CASE NO.: 89551-07

**ORDER TO CEASE AND DESIST
AND TO ASSESS PENALTY**

TO: WARRANTY ADMINISTRATION SERVICES CORPORATION
c/o Mark E. Anderson, President and CEO
3455 Peachtree Road N.E., Suite 500
Atlanta, Georgia 30326

MARK E. ANDERSON
36 Brookhaven Drive
Atlanta, GA 30319

DON TAYLOR
5300 W. Memorial Road, Apt. Q
Oklahoma City, OK 73142

ROBERT S. PYLAND
2005 Wrotham Lane
Allen, TX 75013

YOU ARE HEREBY NOTIFIED that pursuant to the Florida Insurance Code, including but not limited to Sections 624.307, 624.310, 624.317, 624.401, 626.909, and 634.283, Florida Statutes, the STATE OF FLORIDA, OFFICE OF INSURANCE REGULATION

(hereinafter referred to as "the OFFICE") has caused an investigation to be made of WARRANTY ADMINISTRATION SERVICES CORPORATION (hereinafter referred to as "WASCOR") with respect to its motor vehicle service agreement activities in Florida. Pursuant to the Florida Insurance Code, the OFFICE intends to enter a Final Order requiring WASCOR to cease and desist from engaging in the unauthorized and unlicensed business of a motor vehicle service agreement company in the state of Florida, requiring WASCOR's Officers and Directors to cease and desist from representing or aiding WASCOR, an unauthorized insurance entity in Florida, and requiring the payment of fines. As grounds therefore, the OFFICE alleges that:

1. The OFFICE has jurisdiction over the subject matter hereof and parties to this proceeding.

2. WASCOR is a Georgia corporation authorized as of May 1, 2006, to transact business in that state.

3. WASCOR registered as a for-profit corporation with the Florida Department of State, Division of Corporations on or about November 20, 2006, for the purpose of "provid[ing] limited powertrain warranties to auto dealers" in Florida. WASCOR's principal place of business is located at 3455 Peachtree Road N.E., Suite 500, Atlanta, GA 30326.

4. Section 634.011(8), Florida Statutes, defines a "motor vehicle service agreement company" or "service agreement company" as "any corporation, sole proprietorship, or partnership (other than an authorized insurer) issuing motor vehicle service agreements."

5. Section 634.011(7), Florida Statutes, defines a "motor vehicle service agreement" or "service agreement" as "any contract or agreement indemnifying the service agreement holder for the motor vehicle listed on the service agreement and arising out of the ownership, operation, and use of the motor vehicle against loss caused by failure of any mechanical or other component

part, or any mechanical or other component part that does not function as it was originally intended; however, nothing in this part shall prohibit or affect the giving, free of charge, of the usual performance guarantees by manufacturers or dealers in connection with the sale of motor vehicles. Transactions exempt under s. 624.125 are expressly excluded from this definition and are exempt from the provisions of this part. . . .”

6. As alluded to in the foregoing paragraph, Section 624.125, Florida Statutes, exempts certain motor vehicle service agreements from being required to comply with the Florida Insurance Code.

7. Since mid-2006, WASCOR has contracted with various Florida motor vehicle dealerships to purchase its Lifetime Limited Powertrain Warranty (hereinafter referred to as an “LLPW”) for each untitled current model year and prior model year vehicle with an odometer reading of 5,000 miles or less that is sold or leased by the dealership.

8. WASCOR is the obligor and administrator of all LLPW’s purchased by each Florida dealership. As such, WASCOR furnishes the dealerships with all “LLPW supplies,” determines whether to accept or refuse any LLPW submitted by the dealerships, and processes and adjusts all LLPW claims. WASCOR has the sole discretion and authority to determine whether or not to pay any and all submitted claims.

9. Each dealership pays WASCOR eighty-five dollars (\$85.00) for each LLPW it purchases and then offers “at no additional charge” with every retail, non-commercial sale or lease of a qualified vehicle from the dealership. WASCOR agrees to pay the dealership ninety dollars (\$90.00) per hour (or the “current manufacturer warranty labor rate”) for labor costs covered under the LLPW.

10. The LLPW covers breakdown repairs for the identical components as the manufacturer's 5 year/60,000 mile powertrain warranty provided with each new vehicle purchase or lease. The LLPW is not effective while the manufacturer's warranty or any other similar motor vehicle service warranty is in force, except that the LLPW allegedly will cover a manufacturer's warranty deductible charge, if applicable. The LLPW is nontransferable and expires the day the consumer sells, trades, or transfers the vehicle.

11. The Florida dealerships who have contracted with WASCOR promote the LLPW in their advertising as an "exclusive" product so as to gain a competitive advantage over other dealerships that do not offer the "free" LLPW.

12. Although Florida consumers are not required to return to the dealership where they purchased or leased their vehicles for scheduled maintenance and repairs, the terms of the LLPW recommend that they do so. All repairs, whether by the dealership or another "licensed" repairer, must be pre-authorized by WASCOR.

13. Section 634.031(1), Florida Statutes, provides that "[a] person may not transact, administer, or market . . . the service agreement business, on behalf of herself or himself or itself, in this state or from this state unless it is authorized to do so under a subsisting license issued to it by the Office."

14. The Florida Legislature has found that a violation of Section 634.031, Florida Statutes, constitutes an imminent and immediate threat to the public health, safety, and welfare of the residents of this state. See Section 634.031(4), Florida Statutes.

15. WASCOR is not, and has never been, authorized or licensed to transact insurance in any capacity or to transact, administer, or market motor vehicle service agreements in the state of Florida.

16. WASCOR's service agreement transactions in Florida do not fall within the exceptions or exemptions to complying with the Florida Insurance Code provided in either Section 634.011(7) or 624.125, Florida Statutes, nor is WASCOR exempted by any other provision of the Florida Statutes or by any federal statute.

17. MARK E. ANDERSON, DON TAYLOR, and ROBERT S. PYLAND are the Officers and Directors of WASCOR.

18. Section 626.901(1), Florida Statutes, provides in relevant part that "[n]o person shall, from offices or by personnel or facilities located in this state, or in any other state or country, directly or indirectly act as agent for, or otherwise represent or aid on behalf of another, any insurer not then authorized to transact such insurance in this state in:

(a) The solicitation, negotiation, procurement, or effectuation of insurance or annuity contracts, or renewals thereof;

(b) The dissemination of information as to coverage or rates;

(c) The forwarding of applications;

(d) The delivery of policies or contracts;

(e) The inspection of risks;

(f) The fixing of rates;

(g) The investigation or adjustment of claims or losses; or

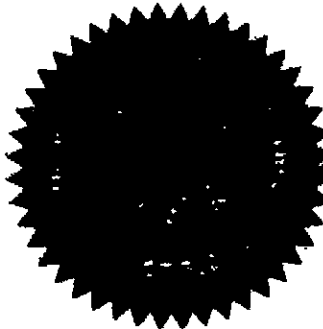
(h) The collection or forwarding of premiums;

or in any other manner represent or assist such an insurer in the transaction of insurance with respect to subjects of insurance resident, located, or to be performed in this state."

19. Section 626.902(1)(b) provides that "[a]ny person . . . who in this state represents or aids an unauthorized insurer in violation of s. 626.901 commits a felony of the third degree, punishable as provided in s. 775.082, s. 775.97, or s. 775.084."

WHEREFORE, because WASCOR has violated the Florida Insurance Code by operating as an unauthorized and unlicensed motor vehicle service agreement company in the state of Florida, and because MARK E. ANDERSON, DON TAYLOR, and ROBERT S. PYLAND, in their capacities as Officers and Directors of WASCOR, have represented or aided WASCOR in conducting its unauthorized and unlicensed service agreement activities in the state of Florida, the OFFICE shall issue a Final Cease and Desist Order requiring WASCOR and its Officers and Directors to cease and desist and to pay fines in accordance with Section 634.285, Florida Statutes, unless a Petition is filed pursuant to the attached Notice of Rights within 21 days of receipt of this initial Order.

DONE and ORDERED this 10TH day of MAY, 2007.



Kevin M. McCarty
Commissioner
Office of Insurance Regulation