

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

**IN RE: INTERSTATE)
NATIONAL DEALER) DOCKET NO. 15-024-I
SERVICES, INC.)
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STIPULATION AND CONSENT ORDER

This Stipulation and Consent Order is entered this 7 day of July, 2016 by and among the Vermont Department of Financial Regulation (“Department”) and Interstate National Dealer Services, Inc. (“Interstate”).

WHEREAS, the Commissioner of the Department (“Commissioner”) is responsible for administering and enforcing the insurance laws of the State of Vermont, pursuant to which the Department has conducted a review of Interstate; and

WHEREAS, as a result of the Department’s review, the Department has concluded that Interstate’s activities were contrary to written and oral representations by Interstate to the Department and violated Vermont law; and

WHEREAS, Interstate has voluntarily implemented certain corrective actions and, while neither admitting nor denying the Department’s allegations, wishes to resolve this matter without administrative proceedings; and

WHEREAS, the Department has accordingly sought, and Interstate, without the necessity of further formal proceedings, has agreed to take further corrective and remedial measures as more specifically described herein; and

WHEREAS, Interstate elects to permanently waive any right to a hearing and appeal under the Vermont Administrative Procedure Act, Title 3, Chapter 25 of the Vermont Statutes Annotated; the rules, regulations, and orders of the Commissioner; and any right it may have to judicial review by any court with respect to this Consent Order.

NOW THEREFORE, the parties so stipulate, and the Commissioner makes findings and conclusions as follows:

FINDINGS OF FACT

1. Interstate is a service contract provider that transacts business in Vermont. Interstate is a Delaware incorporated insurance company with its main administrative offices located at 6120 Powers Ferry Rd NW, Suite 200, Atlanta, Georgia, 30339.

2. In 2012, Interstate applied to renew its Vermont service contract provider registration for the period of January 1, 2012 through December 31, 2014. Upon review of Interstate's renewal application, the Department concluded that one of Interstate's service contract reimbursement reinsurers, National Service Contract Insurance Company, RRG ("NSC"), did not meet the financial stability requirements of 8 V.S.A. § 4249(a)(2). The Department conditioned its approval of Interstate's renewal registration upon receipt of a written agreement that Interstate would not use NSC to insure its Vermont vehicle service contracts.

3. On May 29, 2012, Interstate sent a letter to the Department that contained an agreement by Interstate not to use NSC to insure its vehicle service contracts in Vermont.

4. In 2014, Interstate applied to renew its Vermont service contract provider registration for the period of January 1, 2015 through December 31, 2017 ("2014 application").

5. Following review of the information submitted in connection with the 2014 application, the Department concluded that Interstate wrote 34 contracts covering property located in Vermont underwritten with NSC between January 1, 2012 and December 31, 2014. The Department concluded that this activity was contrary to the conditional approval and Interstate's May 29, 2012 letter. In December 2014, the Department began corresponding with Interstate about the unapproved use of NSC for Vermont contracts. Interstate advised that it changed the reimbursement service provider on the 34 contracts and discontinued the use of NSC for Vermont contracts.

6. On August 31, 2015, the Department requested that Interstate provide copies of the 34 contracts referenced in paragraph 5, above. Interstate declined to provide the copies. The Department issued a Notice to Produce on September 15, 2015, that directed Interstate to produce the 34 contracts, as well as associated application materials and copies of contracts written, expired, or cancelled for Vermont contract holders between January 1, 2015, and September 15, 2015.

7. Interstate's production in response to the Notice to Produce revealed that between January 1, 2015, and September 15, 2015, Interstate issued 27 Vermont contracts covering property located in Vermont which listed NSC as the service contract reimbursement reinsurer.

CONCLUSIONS OF LAW

1. Pursuant to the authority granted by Vermont law including, but not limited to, 8 V.S.A. §§ 11, 12, 13, 15, Chapter 101, Chapter 113 and Chapter 145, the Commissioner of the Department (“Commissioner”) is charged with administering and enforcing the insurance laws of the State of Vermont.
2. Provision of a service contract issued, sold, or covering property located in Vermont requires registration with the Commissioner pursuant to 8 V.S.A. § 4248.
3. Pursuant to 8 V.S.A. § 4249, a service contract provider must provide the Commissioner with proof of financial stability. The Commissioner may require additional assurances of financial stability pursuant to 8 V.S.A. § 4249(c).
4. Interstate provided 61 service contracts covering property located in Vermont that were underwritten using NSC or listed NSC as the reimbursement reinsurer in violation of 8 V.S.A. § 4249 *et seq.* and contrary to Interstate’s written and oral representations to the Department.
5. Under 8 V.S.A. § 4255, the Commissioner may take action to enforce the provisions of the Service Contract Provider Act and may, among other things, impose a penalty.

**CONSENT BY INTERSTATE NATIONAL DEALER SERVICES, INC. TO THE ENTRY
OF AN ORDER BY THE COMMISSIONER IMPOSING TERMS, CONDITIONS AND
UNDERTAKINGS UNDER VERMONT LAW**

1. Interstate shall pay to the Department an administrative penalty in the sum of \$25,000.00, paid by check payable to the Department, within 10 calendar days of the execution of this Stipulation and Consent Order.
2. Interstate shall reimburse the Department for investigative and other expenses, in the sum of \$4,000.00, paid by check payable to the Department, within 10 calendar days of the execution of this Stipulation and Consent Order.
3. Interstate shall provide and maintain a bond, deposit, cash, or letter of credit for the benefit of Vermont policyholders in a manner and amount consistent with 8 V.S.A. § 4249(a)(1)(A), and create and maintain a funded reserve account in accordance with 8 V.S.A. § 4249(a)(1)(B), within sixty (60) days of the execution of this Stipulation and Consent Order.
4. Without admitting or denying the allegations and findings contained in the Consent Order, Interstate hereby admits the jurisdiction of the Commissioner over the subject matter of this proceeding and consents to the entry of an Order by the Commissioner. Interstate acknowledges that this Consent Order constitutes a valid order duly rendered by the Commissioner, and agrees to be bound by it.
5. Solely with respect to this matter, Interstate voluntarily and knowingly waives any rights to a hearing before the Commissioner or the Commissioner's designee, and all other procedures otherwise available under Vermont law, the rules of the Department, the provisions of Chapter 25 or Title 3 regarding contested cases, or any right they may have to judicial review by any court by way or suit, appeal, or extraordinary remedy.
6. Interstate acknowledges and agrees that the Consent Order is entered into freely and voluntarily and that no promise was made, nor was any coercion used, to induce the Interstate to enter into the Consent Order.
7. Interstate acknowledges its understanding of all terms, conditions, and obligations contained in the Consent Order. Interstate also acknowledges that noncompliance with any provisions of the Consent Order shall constitute a violation of a lawful order of the Commissioner and shall subject Interstate to administrative action or sanctions as the Commissioner deems appropriate. Interstate further acknowledges that the Commissioner retains jurisdiction over this matter for the purpose of enforcing this Stipulation and Consent Order.
8. The undersigned representative of Interstate affirms that he or she has the authority to bind Interstate to the obligations stated herein.

Dated this 1 day of JULY, 2016.



By: Breanne Morley
Title: EVP

Signature: Breanne Morley
Authorized Agent for Interstate National Dealer Services, Inc.

BEFORE ME this 1 day of JULY, 2016, personally appeared BREANNE MORLEY who acknowledged that he, as being authorized so to do, executed the foregoing for the purposes therein contained, and that such act of execution is his free act and deed on behalf of Interstate National Dealer Services, Inc.

Krystina Lowery
Notary Public

My Commission Expires: 5/17/2020

Agreed and accepted: [Signature] 7/6/16
Kaj Samsom, Deputy Commissioner of Insurance

CONSENT ORDER

NOW, THEREFORE, based on the Stipulation, the facts, terms and provisions of which are incorporated by reference herein, the Commissioner issues the following Order, to be fully complied with following receipt by the Commissioner of the duly executed Consent to Entry of Order:

1. Interstate shall comply with all agreements, stipulations, and undertakings as recited above.

2. If Interstate fails or neglects to comply with any of the terms, conditions or undertakings set forth in this Stipulation and Consent Order, the Department may, upon written notice to Interstate, institute any legal or administrative proceedings it deems appropriate to enforce same and to seek such other appropriate sanctions, and Interstate shall consent to the entry of judgment for any unpaid balance.

3. Upon receipt by the Department of the full \$29,000.00 amount paid by Interstate in accordance with the terms of this Stipulation and Consent Order, this Stipulation and Consent Order will be deemed to have documented the resolution of this matter and will not be a basis for action against Interstate by the Department arising out of these same events in regards to the business of provision of service contracts except in determining any action or penalty that may be imposed by the Department for any other or future violations of law by Interstate.

This ORDER shall become effective immediately upon the date set forth below.

Entered at Montpelier, Vermont, this 7th day of July, 2016.



Commissioner

Vermont Department of Financial Regulation