

1 **BEFORE THE INSURANCE COMMISSIONER**
2 **OF THE STATE OF CALIFORNIA**

3 In the Matter of

4 INTERSTATE NATIONAL
5 DEALER SERVICES, INC. d.b.a.

6 WARRANTY DIRECT,

7 Respondent.

ORDER TO CEASE AND DESIST and
NOTICE OF RIGHT TO HEARING
(Ins. Code § 12921.8)

File No. VSC 024 – BP

8
9 ORDER TO CEASE AND DESIST

10 TO: INTERSTATE NATIONAL DEALER SERVICES, INC. d.b.a. WARRANTY
11 DIRECT:

12 YOU ARE HEREBY ORDERED IMMEDIATELY TO CEASE AND DESIST FROM
13 DIRECTLY MARKETING AUTOMOBILE SERVICE CONTRACTS TO
14 CONSUMERS BY THE INTERNET, TELEPHONE, MAIL, ADVERTISING, OR ANY
15 OTHER MEANS.

16 WHEREAS:

17 1. Respondent Interstate National Dealer Services, Inc. (hereafter “Interstate”) acts as
18 a so-called “third party obligor” of automobile service contracts. California Insurance Code
19 sections 116(a, b, d and e) define automobile service contracts issued by a third party obligor to
20 constitute automobile insurance, unless the obligor of those contracts complies with the
21 requirements of section 116(d). One of those requirements is that the contracts be sold by “...an
22 automobile dealer incidental to the automobile dealer's business of selling or leasing
23 automobiles...” Interstate is intentionally selling automobile service contracts directly to
24 consumers over the Internet, in knowing violation of the provisions of section 116(d). By selling
25 third party obligor service contracts without complying with section 116(d), Interstate is acting as
26 an insurance company, while lacking a certificate of authority to so act.

27 2. California Insurance Code section 116(e) provides that the “doing or proposing to
28 do any business in substance equivalent to the business described in this section in a manner
designed to evade the provisions of this section is the doing of an insurance business.” Interstate
has done business in a manner designed to evade, and has actually evaded, the provisions of

1 section 116(d). By doing so it has done business as an insurance company, while lacking a
2 certificate of authority to so act, in violation of California Insurance Code Section 700(a) and (b).

3 3. California Insurance Code Section 12921.8(a) authorizes the Insurance
4 Commissioner to issue a cease and desist order against any person transacting the business of
5 insurance without having been issued a certificate of authority.

6 4. California Insurance Code Section 12921.8(a) authorizes the Insurance
7 Commissioner to issue a cease and desist order without holding a hearing prior to issuance of the
8 order.

9 PLEASE TAKE NOTICE that the Insurance Commissioner may, pursuant to Insurance
10 Code Section 12921.8(a), impose a fine of up to five thousand dollars (\$5,000) for each day this
11 order is violated.

12 NOTICE OF RIGHT TO HEARING

13 Insurance Code Section 12921.8(b) provides in part as follows:

14 “A person to whom a cease and desist order is
15 issued, may, within seven days after service of the
16 order, request a hearing by filing a request for a
17 hearing with the commissioner.”

18
19 If you desire a hearing in this matter, your written request for a hearing must be received
20 within seven days after you are personally served with the order. The seven days begins to run
21 on the day after the day you are served, and if the seventh day falls on a weekend, the period in
22 which your request must be filed is extended until Monday or the next business day if Monday is
23 a holiday. Your written request for a hearing must be directed to: Jon A. Tomashoff, Senior Staff
24 Counsel, California Department of Insurance, 45 Fremont Street, 19th Floor, San Francisco,
25 California 94105.

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IN WITNESS WHEREOF, I have set my hand and affixed my official seal this 27th day of
June, 2001.

HARRY W. LOW
Insurance Commissioner

/s/
By

PATRICIA K. STAGGS
Assistant Chief Counsel

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