

**BEFORE THE INSURANCE COMMISSIONER OF THE  
STATE OF OKLAHOMA**

**FILED**

JUL 10 2014

INSURANCE COMMISSIONER  
OKLAHOMA

STATE OF OKLAHOMA, *ex rel.* )  
JOHN D. DOAK, Insurance Commissioner, )  
 )  
Petitioner, )  
 )  
v. )  
 )  
DIRECT BUY ASSOCIATES, INC. d/b/a )  
DIRECT BUY AUTO WARRANTY, )  
an unlicensed service warranty association )  
 )  
Respondent. )

Case No. 14-0490-DIS

**FINAL ADMINISTRATIVE ORDER**

This matter is a proceeding under the Oklahoma Service Warranty Act, 15 O.S. § 141.1 et seq. The Oklahoma Insurance Department (the “Department”) issued a Conditional Administrative Order on May 12, 2014 alleging Respondent Direct Buy Associates, Inc. d/b/a Direct Buy Auto Warranty sold service warranty contracts to Oklahoma consumers while unlicensed in Oklahoma.

Respondent requested an administrative hearing and the hearing was set before the undersigned Hearing Examiner for July 10, 2014. The Notice of Hearing was mailed to Respondent on June 16, 2014, certified mail, return receipt requested, to the following address: 33 Wood Avenue South, Suite 600, Iselin, N.J. 08830. The return receipt card confirmed that the Notice of Hearing was received by Respondent on June 19, 2014.

Petitioner appeared by counsel Julie Meaders on July 10, 2014. Respondent failed to appear. Petitioner offered Exhibits as proof to support the allegations of fact and alleged violations of law contained in the Conditional Administrative Order and Notice of Hearing.

### **JURISDICTION**

1. John D. Doak is the Insurance Commissioner of the State of Oklahoma and is charged with the duty of administering and enforcing all provisions of the Oklahoma Service Warranty Act, 15 O.S. § 141.1 et seq.

2. Direct Buy Associates, Inc. d/b/a Direct Buy Auto Warranty (“Respondent”) is an unlicensed service warranty company who solicited and sold service warranty contracts in the State of Oklahoma.

3. The Insurance Commissioner has jurisdiction over the subject matter raised in this dispute and may issue penalties pursuant to 15 O.S. § 141.12.

4. The Insurance Commissioner, pursuant to 15 O. S 141.28, may appoint an independent hearing examiner who shall sit as a quasi-judicial officer.

### **FINDINGS OF FACT**

1. Respondent does not hold a license or registration in the State of Oklahoma and is not authorized by the Oklahoma Insurance Department to engage in the service warranty business in Oklahoma.

2. A Conditional Administrative Order was issued on May 12, 2014 fining the company Ten Thousand Dollars (\$10,000) for operating as a service warranty company without a license in Oklahoma.

3. General Manager Albert Hakim stated in a letter dated June10, 2014 that if the only way the Company could avoid a sanction is to have a hearing, then the Company respectfully requests a hearing.

4. Hakim provided a list of sixty-seven (67) Oklahoma consumers who currently hold service warranty contracts with the Respondents.

### **CONCLUSIONS OF LAW**

1. No person in this state shall act as a service warranty association unless licensed by the Insurance Commissioner. A service warranty association shall pay to the Insurance Department a license fee of Four Hundred Dollars (\$400.00) for such license for each year, or part thereof, the license is in force. 15 O.S. § 141.4.

2. No service warranty form or related form shall be issued or used in this state unless the form has been filed with and approved by the Insurance Commissioner. 15 O.S. § 141.13.

3. In addition to the license fees provided in the Service Warranty Act for service warranty associations each service warranty association and insurer shall annually, on or before the first day of May, file with the Insurance Commissioner its annual statement in the form prescribed by the Commissioner showing all gross written provider fees or assessments received by it in connection with the issuance of service warranties in this state during the preceding calendar year and other relevant financial information as deemed necessary by the Commissioner, using accounting principles which will enable the Commissioner to ascertain whether the financial requirements set forth in Section 7 of this act have been satisfied. 15 O.S. § 141.14(A).

4. Provider fees and assessments received by associations and insurers for service warranties shall be subject to an administrative fee of equal to two percent (2%) of the gross provider fee received on the sale of all service contracts issued in this state during the preceding

calendar quarter. The fees shall be paid quarterly to the Insurance Commissioner. 15 O.S. § 141.14(D).

5. If it is found that a service warranty association has knowingly and willfully violated a lawful rule or order of the Commissioner or any provision of the Service Warranty Act, the Commissioner may impose a fine in an amount not to exceed Ten Thousand Dollars (10,000.00) for each violation. 15 O.S. § 141.12.

**ORDER**

**RESPONDENT DIRECT BUY ASSOCIATES INC. d/b/a DIRECT BUY AUTO WARRANTY WAS PROPERLY SERVED WITH NOTICE OF HEARING AND IS IN DEFAULT FOR FAILURE TO APPEAR. PETITIONER'S ADMITTED EXHIBITS A-E SUPPORTS THE ALLEGATIONS OF FACT IN THE CONDITIONAL ADMINISTRATIVE ORDER AND NOTICE OF HEARING AS TRUE AND CORRECT.**

**IT IS THEREFORE ORDERED THAT RESPONDENT IS ORDERED TO PAY A FINE IN THE AMOUNT OF TWENTY-FIVE THOUSAND DOLLARS FOR EACH YEAR OF OPERATING IN OKLAHOMA WITHOUT A LICENSE TOTALING ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) AND COSTS OF THIS PROCEEDING IN THE AMOUNT OF TWO HUNDRED DOLLARS (\$200.00). RESPONDENT IS FURTHER ORDERED TO PAY THE LICENSE FEE OF FOUR HUNDRED DOLLARS FOR EACH YEAR OF OPERATION IN OKLAHOMA WITHOUT A LICENSE TOTALING ONE THOUSAND SIX HUNDRED DOLLARS (\$1,600.00)**

**RESPONDENT SHALL CEASE AND DESIST DOING BUSINESS IN THE STATE OF OKLAHOMA. RESPONDENT SHALL CONTINUE TO HONOR ALL**

**EXISTING SERVICE CONTRACTS WITH EXISTING OKLAHOMA CONSUMERS  
AND PAY CLAIMS UNDER EXISTING CONTRACTS AND DO ALL MATTERS  
UNDER THE TERMS AND CONDITIONS OF ITS SERVICE CONTRACTS WITH  
EXISTING OKLAHOMA CONSUMERS.**

Done this 10<sup>th</sup> day of July, 2014



Stephan S Mathis  
STEPHAN S. MATHIS  
INDEPENDENT HEARING EXAMINER  
OKLAHOMA INSURANCE DEPARTMENT

**CERTIFICATE OF MAILING**

I, Julie Meaders, hereby certify that a true and correct copy of the above and foregoing Final Order was mailed by certified mail with postage prepaid and return receipt requested on this 10<sup>th</sup> day of July, 2014 to:

Albert Hakim  
Direct Buy Associates, Inc.  
d/b/a Direct Buy Auto Warranty  
33 Wood Avenue South, Suite 600  
Iselin, N.J. 08830

Certified Mail No.  
7001 0320 0004 4249 4404

**CERTIFIED MAIL NO:**

And a copy delivered to:

Jason Johnston/Consumer Assistance Division

Lauren Bouse /Financial Division

  
Julie Meaders  
Julie Meaders