

**STATE OF VERMONT  
DEPARTMENT OF BANKING, INSURANCE, SECURITIES  
& HEALTH CARE ADMINISTRATION**

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In re: The Penn Warranty Corporation     )     DOCKET NO. 06-042-I  
)  
)

**CONSENT ORDER**

This Consent Order is issued by the Department of Banking, Insurance, Securities and Health Care Administration (the “Department”) and entered by the Department and Penn Warranty Corporation (the “Company”).

**Background**

1. Pursuant to the authority contained in Vermont law, including but not limited to, 8 V.S.A. §§ 10-13 and 4250, the Department is charged with administering and enforcing the laws and regulations of the State of Vermont governing the business of organizations that offer financial services and products, including service contract providers under 8 V.S.A. § 4247 *et seq.*, to assure the solvency, liquidity, stability and efficiency of all such organizations, to assure reasonable and orderly competition, to protect consumers against unfair and unconscionable practices, and to provide consumer education, and is authorized to conduct examinations of regulated entities to determine whether they are in compliance with said laws and regulations.

2. The Penn Warranty Corporation is a Pennsylvania company registered to conduct business in Vermont.

3. The Company has been subject to examination by the Department regarding compliance with applicable Vermont statutes and regulations. The examination generally covered the period from January 1, 2002 through December 31, 2004.

4. In light of the Company's response to the examination and the Company's cooperation with the Department to address concerns arising during the examination, the Commissioner elects to terminate the examination in consideration of the mutual covenants contained herein, with respect to which the Company and the Department agree as follows.

**Agreement**

- a. The Company agrees that the Department's administration of 8 V.S.A. § 4249(a)(1)(B) requires service contract providers to maintain their funded reserve accounts as separate accounts specifically dedicated for the benefit of Vermont contract holders, and to document the basis for the amount on deposit, and the Company will comply therewith.
- b. The Company agrees that the Department's administration of 8 V.S.A. § 4252(b) requires service contract providers to establish data handling procedures which facilitate tracking all claims, including denied claims, and the Company will comply therewith from January 1, 2006 forward. The Company agrees to report quarterly to the Department commencing with the quarter ending September 30, 2006, these claims in a manner consistent with the format attached hereto as Appendix A, as an Excel spreadsheet, showing these claims for the first three quarters of 2006, inclusive of that ending September 30, 2006. The report shall be due 30

days after the close of the quarter ending September 30, 2006. Subsequent reports shall be due within 30 days of the close of each calendar quarter. These additional reporting requirements shall terminate with the report produced for the 4<sup>th</sup> quarter of 2008.

- c. The Company agrees to revise its service contracts offered to and entered with Vermont consumers by adding the following text:
  - i. A maximum of one per occurrence charge will be assessed per repair shop visit.

The Company shall make the required text additions at the time of the next printing of each contract, but no later than 90 days from the acceptance of this agreement.

- d. The Company shall, within ten (10) business days of execution of this Consent Order, make a voluntary payment to the Department in the amount of Twenty Thousand Dollars (\$20,000). Unless otherwise specified, the Company's compliance with the terms hereof shall be required upon execution of this Consent Order.

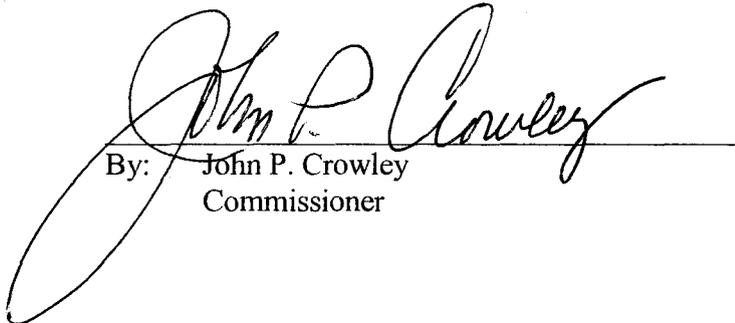
5. Nothing in this Consent Order shall be construed to preclude the Department from examining the Company regarding its activities or complaints against it arising after the execution of this Consent Order or exercising any other regulatory authority applicable to service contract providers under Vermont law.

6. The parties acknowledge that the Company enters this Consent Order solely for the purposes of terminating the examination and avoiding litigation over potential claims and liabilities, and that nothing in this Consent Order shall be taken or construed as an

admission or concession of any violation of law, or of any other matters of fact or law, or of any liability or wrongdoing, by the Company for any purpose.

It is so ORDERED, this 5th day of July, 2006.

Vermont Department of Banking, Insurance  
Securities and Health Care Administration

  
By: John P. Crowley  
Commissioner

Respondent's Consent

The Penn Warranty Corporation hereby consents to the contents and terms of this Consent Order and to all representations made herein. The person executing this Consent Order on behalf of The Penn Warranty Corporation is an officer and has the power to bind the companies to the terms of this Consent Order. After careful consideration, The Penn Warranty Corporation executes this Consent Order knowingly and voluntarily.

  
\_\_\_\_\_  
Signature

6/27/06  
\_\_\_\_\_  
Date

Kirk C. Arnold  
\_\_\_\_\_  
Print Name

Executive Vice President  
\_\_\_\_\_  
Title

## APPENDIX A

### Penn Warranty Quarterly Claims Report

Sample 2	1/1/2006	NA	NA	1/30/2006	Tires not covered
Sample 3	1/2/2006	2/15/2006	\$1000.00	NA	NA
Sample 4	1/2/2006	NA	NA	1/5/2006	Policy not in force