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NEWS: 2010 PRESS RELEASE

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Commissioner Poizner Orders Vehicle Warranty Company to End Illegal Telemarketing, Stop Operating as Unlicensed Insurance Company

California Insurance Commissioner Steve Poizner today filed a cease and desist order against two California men and several corporations for allegedly operating unlicensed insurance companies and using deceptive and illegal telemarketing. Robert Lewis Chapman, James C. Sletner and several corporations they own and manage, including SafeData Management Services, Inc., d.b.a. Consumer Direct Warranty Services, Warranty Administration Services, Inc., and Warranty Administration Solutions, Inc., face substantial fines.

"If you want to sell insurance in California, you must obtain a license, have adequate financial reserves and you must not deceive consumers," said Commissioner Poizner. "In order to protect California consumers, there are specific requirements for insurance companies seeking to do business in California. If companies do not abide by these requirements, they will not be permitted to sell insurance in our state."

The Department of Insurance alleges that Consumer Direct sold insurance policies and vehicle service contracts without a license and in blatant disregard of numerous, longstanding legal requirements designed to protect California consumers. The unlawful insurance policies, which promise to repair breakdowns to engines, transmissions and other parts, typically sell for \$1,500 - \$2,500. Chapman, Sletner and Consumer Direct each face a fine of \$5,000 for every day they conducted business in California, or five times the revenue received from California consumers, whichever is greater.

Chapman, Sletner and Consumer Direct contend their insurance policies are product warranties because they require consumers to put additives in their cars. The additives supposedly protect the car from mechanical breakdowns. The Department of Insurance maintains that the additives have virtually no effect in preventing breakdowns and are a sham to avoid insurance regulation. CDI

alleges that Consumer Direct is not licensed to act as an insurance company, lacks the financial capital to do so, and therefore poses a hazard to consumers.

In addition to the licensing violation, Consumer Direct has generated numerous complaints around the country and in California alleging high-pressure and deceptive telemarketing calls, illegal calls to cell phones and people on the Do Not Call list. In addition to these alleged violations, the Department also accuses Consumer Direct of failing to honor claims and failing to properly handle cancellation refund requests.

California residents who have had problems with Consumer Direct Warranty Services, Warranty Administration Services, Inc., or Warranty Administration Solutions, Inc. are encouraged to contact the Department of Insurance.

Consumer Direct Warranty Services is headquartered in Redding, California.

The Department has published a consumer guide entitled "Guide to Auto Service Contracts and Agreements" that explains how to make an informed decision when it comes to buying mechanical breakdown protection for a vehicle. The consumer guide can be found on the Department's website at: http://www.insurance.ca.gov/0100-consumers/0060-information-guides/0010-automobile/upload/New_Complete_Guide_Auto_Repair_103_03_05.pdf.

The Department's pleading against Consumer Direct can be found on the Department of Insurance website at <http://www20.insurance.ca.gov/pdf/ORDER/143470.pdf>.

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Please visit the Department of Insurance Web site at www.insurance.ca.gov. Non media inquiries should be directed to the Consumer Hotline at 800.927.HELP. Callers from out of state, please dial 213.897.8921. Telecommunications Devices for the Deaf (TDD), please dial 800.482.4833.

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