STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of: CHW GROUP INC dba CHOICE HOME WARRANTY, a New Jersey Corporation, and AMERICAN GLOBAL OBLIGORS INC., a New Jersey Corporation, Respondents.	Case No. INS-24-0056 ORDER TO CEASE AND DESIST, ORDER ASSESSING CIVIL PENALTIES, ORDER REINSTATING CIVIL PENALTIES, AND CONSENT TO ENTRY OF ORDER

The Director of the Department of Consumer and Business Services for the State of Oregon ("Director"), acting in accordance with Oregon Revised Statutes ("ORS") 646A.150, et seq., and the administrative rules promulgated thereunder ("Oregon Service Contract Law"), conducted an investigation into the activities of CHW Group Inc dba Choice Home Warranty ("CHW") and American Global Obligors Inc. ("AGO") (collectively, "Respondents") and determined that Respondents engaged in activities constituting violations of the Oregon Service Contract Law.

Respondents, without admitting or denying the Director's Findings of Fact or Conclusions of Law, wish to resolve and settle this matter with the Director.

Now, therefore, as evidenced by the authorized signatures subscribed on this Order, Respondents hereby CONSENT to entry of this Order upon the Director's Findings of Fact and Conclusions of Law as stated hereinafter.

FINDINGS OF FACT

The Director FINDS that:

1. Respondents are New Jersey corporations that share a principal place of business located at 2147 Route 27 South, 4th Floor, Edison, NJ 08817.

2. AGO is a wholly-owned subsidiary of CHW.

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3. At all relevant times, Respondents have contracted with Oregon consumers to repair or replace their residential appliances, subject to exceptions, terms, and conditions ("Oregon Service Contracts").

4. Respondents are financially compensated for the sale of each Oregon Service Contract.

5. AGO is contractually obligated to provide covered services under each Oregon Service Contract.[1]

Prior Enforcement Action

6. On November 28, 2023, Respondents and the Director entered into a Consent Order to resolve violations of the Oregon Service Contract Law regarding services provided under Oregon Service Contracts entered into between January 2018 and September 1, 2022 ("Consent Order").[2]

7. Pursuant to the Consent Order, Respondents were assessed $109,000 in civil penalties, of which $69,000 was suspended. Suspension of the penalties was contingent upon Respondents' compliance with the Order terms, including that it refrained from violating the Oregon Service Contract Law for a period of three years. The Consent Order included a provision that Respondents' failure to satisfy any terms of the Order would render the suspended penalties immediately due and payable.

8. In or around March 2024, the Division received a complaint against Respondents alleging conduct similar to that underlying the prior enforcement action. The Division directed Respondents to provide information regarding the complaints they had received from Oregon consumers from September 2, 2022 through April 16, 2024. Respondents provided responses and documents which support the following findings and conclusions.

[1] AGO possesses a Home Services Contractor License issued by the Oregon Construction Contractors Board.
[2] *See* Division case number INS-22-0058 and the Consent Order.

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Prohibited Conduct

Inadequate Cash Offers

9. The Oregon Service Contracts provide for:

A. Payment for covered repairs of covered appliances;

B. Appliance replacement, at Respondents' discretion; and/or

C. Cash payments in lieu of repair or replacement in the amount of Respondents' actual cost (which at times may be less than retail) to repair or replace any covered system, component or appliance.

10. Under the Oregon Service Contracts, Respondents are responsible for providing "replacement equipment of similar features, capacity, and efficiency[.]" The cash payments Respondents offer to consumers in lieu of repair or replacement, at Respondents' discretion, may be insufficient for the consumers to replace the covered item(s) under those terms.

11. Pursuant to its investigation, the Director found three instances in which Respondents made inadequate cash offers to clients.

Excessive Delays and Failure to Timely Assign Qualified Service Providers

12. Under the Oregon Service Contracts, Respondents are responsible to arrange for a qualified service provider to repair or replace covered appliances, at Respondents' expense, in accordance with the contract. The contract states, "Upon request for service, We will begin contacting Service Provider(s) within 4 hours…In some circumstances, it could take more than 48 hour for a Service Provider to accept the request."

13. Respondents have failed to provide customers with access to qualified service providers for weeks and months at a time, belying the stated time periods in their contracts. This failure extends to covered appliances essential to basic safety and comfort. Respondents have also failed to maintain functional relationships with the service providers with whom it works, resulting in the providers declining referrals and abandoning cases.

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14. Pursuant to its investigation, the Director found ten instances in which Respondents failed to timely assign qualified service providers and/or caused excessive delays in providing services.

Failures Regarding Reimbursement and Prior Authorization Processes

15. Respondents offer customers the option to find their own service providers to address covered items. Under this process, customers direct the provider to submit diagnoses to Respondents through their online portal for authorization. Once authorized, the provider may proceed with the repair or replacement. The customer then pays the provider for the work and Respondent reimburses them under the terms of the service contract.

16. The terms of the reimbursement process are not included in the Oregon Service Contracts, making the process confusing and opaque for customers.[3] In addition, the terms themselves are onerous, resulting in excessive service delays and coverage gaps. Specifically:

A. Respondents consider service providers' proposed fees as a factor in determining whether to approve the reimbursement request. This has caused provider abandonments and impaired customers' ability to find their own providers. It also undermines the reimbursement process as a viable alternative to Respondents' default process of assigning service providers;

B. Service providers have had difficulty submitting the required items through Respondents' portal, resulting in service delays; and

C. The portal is not consumer-facing so customers cannot track the status of their claims. This has resulted in delays and claim closures without customer knowledge.

[3] Instructions for utilizing the reimbursement process are provided to customers upon request via email and in their account center online.

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17. Pursuant to its investigation, the Director found five instances in which Respondents failed to administer its reimbursement program in a fair, transparent, and/or reliable manner.

Misrepresentations

18. Respondents have made the following claims in verbal communications with an Oregon consumer regarding the terms of the Oregon Service Contracts:

A. For the reimbursement process, customers may use any service provider as long as they're licensed;

B. For the reimbursement process, customers do not need to pay service providers because Respondents pay those fees in advance;

C. Customers can choose between replacing their appliances and accepting Respondents' cash offers; and

D. Respondents do not deduct their incurred service costs from cancellation refunds.

19. Contrary to Respondents' representations:

A. Respondents "will not reimburse for services without prior approval"[4] and "reserve sole right to select the Service Provider,"[5] irrespective of whether the provider is licensed;

B. For the reimbursement process, customers pay service providers themselves and seek reimbursement from Respondents;

C. Respondents "reserve the right to offer cash or cash equivalent in lieu of repair or Replacement in the amount of Our actual cost (which at times may be less than retail) to repair or Replace any Covered Item";[6] and

D. Respondents deduct their incurred service costs from cancellation

[4] *See* section B(3) of the Oregon Service Contract.
[5] *See* section B(6) of the Oregon Service Contract.
[6] *See* section E(3) of the Oregon Service Contract.

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refunds.[7]

CONCLUSIONS OF LAW

The Director CONCLUDES that:

20. Each of the Oregon Service Contracts is a "service contract" under ORS 646A.154(1)(a).

21. Respondents failed to act in good faith in providing covered services under a service contract, in violation of ORS 646A.158(3)(c), by:

A. Making inadequate cash offers;

B. Failing to timely assign qualified service providers and causing excessive delays in providing services; and

C. Failing to administer its reimbursement program in a fair, transparent, and/or reliable manner.

22. Respondents violated ORS 646A.158(3)(c) in 18 instances, seven of which occurred after entry of the Consent Order.

23. By making misrepresentations to an Oregon consumer about the terms of the Oregon Service Contracts, as set forth in Paragraphs (18) – (19), Respondents violated ORS 646A.158(2)(a) in one instance.

24. The Consent Order resolved Division case number INS-22-0058 in accordance with, *inter alia*, ORS 183.417(3), ORS 183.745(11), and OAR 137-003-0510(3)-(4).

25. The Consent Order is a valid and enforceable final order not subject to the provisions of ORS 183.470 and OAR 137-003-0665(5).

26. Respondents' violations of ORS 646A.158(2) and (3) committed after execution of the Consent Order make the suspended civil penalties imposed under the Consent Order due and payable.

27. Respondents are obligated to pay the $69,000 in suspended civil penalties

[7] *See* section H(2) of the Oregon Service Contract.

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imposed under the Consent Order.

28. Because the Director has reason to believe that Respondents have been engaged in violations of ORS 646A.158, the Director may issue an order to Respondents to cease and desist, pursuant to ORS 646A.162(5).

29. Under ORS 646A.162(6), the Director may impose a civil penalty of up to $10,000 *per violation* upon any person who violates ORS 646A.154, ORS 646A.156, or ORS 646A.158.[8]

ORDERS

Now therefore, the Director issues the following Orders:

30. As authorized by ORS 646A.162(5), the Director hereby ORDERS Respondents to CEASE AND DESIST from violating ORS 646A.158(2) and (3).

31. As authorized by the Consent Order resolving Division case number INS-22-0058 in accordance with ORS 183.417(3), ORS 183.745(11), and OAR 137-003-0510(3)-(4), the Director hereby ORDERS that the $69,000 in suspended civil penalties imposed on Respondents under the Consent Order be IMMEDIATELY DUE AND PAYABLE as a result of the failure of Respondents' violations of ORS 646A.158(2) and (3).

32. As authorized by ORS 646A.162(6), the Director hereby ORDERS that Respondents be jointly and severally subject to a CIVIL PENALTY of $59,000 as follows:

A. $2,000 for violating ORS 646A.158(2)(a); and

B. $57,000 for violating ORS 646A.158(3)(c).

33. Within thirty (30) days from the effective date of this Order, Respondents shall pay $30,000 to the Oregon consumers referenced in this Order, according to the following chart:[9]

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[8] ORS 646A.162(6) authorizes a maximum of $2,000 for the first violation, $5,000 for the second violation, and $10,000 for any subsequent violations.

[9] The consumers have been specifically identified under separate cover.

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CONSUMER	PAYMENT OWED
DS	$1,000
NB	$1,000
AD	$2,000
CT	$1,000
AS	$2,000
JC	$2,000
LB	$1,000
SV	$2,000
RS	$3,000
DM	$3,000
AV	$2,000
CS	$2,000
CC	$1,000
PS	$3,000
JCA	$3,000
BS	$1,000

34. Within thirty (30) days from the effective date of this Order, Respondents shall provide the Division with documentation to confirm it has made the payments described in Paragraph (33).

35. If Respondents do not have current contact information for any of the consumers they shall use all reasonable efforts and means to locate and notify the consumer of the impending payment and to arrange to transmit the refund to the consumer through electronic transfer or by issuance of a refund check. If, despite the use of all reasonable

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efforts, Respondents cannot make successful payment to any consumers, they shall deliver any remaining payments for such consumers to the Oregon State Treasury ("OST") to be managed and distributed by OST pursuant to Oregon's Unclaimed Property Program. Respondents shall provide OST with all unclaimed funds, along with each applicable consumer's contact information and a copy of this Order, within sixty (60) days from the effective date of this Order.

36. Within thirty (30) days from the effective date of this Order, Respondents shall implement an internal process or make the following modifications to the existing Oregon Service Contracts and include such modifications in the text of all future Oregon Service Contracts as set forth below:

A. Respondents shall implement an internal process to:

(a) Ensure that claims are not closed without receiving confirmation from the customer, or the customer fails to respond to a request for confirmation[10], that the repair has been made; and

(b) Ensure that work on a covered claim continues even if the service contract expires while the claim is pending.

B. In the event Respondents and Oregon customers cannot agree on the amount of a payment of cash in lieu of repair or replacement, Respondents shall provide Oregon customers with: (1) a replacement appliance of similar features, capacity, and efficiency or (2) a cash or cash equivalent payment in the amount of the manufacturer's suggested retail price of an appliance of similar features, capacity, and efficiency (but not matching dimensions, brand, or color).

C. Respondents shall identify the terms, limitations, and requirements of the reimbursement process in the contracts themselves;

[10] Respondents shall leave messages for the customer via email, voicemail, and the customer portal and provide one week for a response before determining the customer has failed to respond to a request for confirmation.

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D. Respondents shall revise the service contract to state the procedure for obtaining prior approval, to identify the instances in which such approval is required, and to explain the procedure for making a claim, including a toll-free telephone number for claim service and a procedure for obtaining reimbursement for emergency repairs performed outside of normal business hours;

E. Respondents shall allow customers who experience difficulty with the portal to submit the documentation and/or information required for the reimbursement process by alternative means, which shall be identified in the contract, including, but not limited to, submission by email and/or physical mailing;

F. When evaluating an authorization request under the reimbursement process, Respondents shall limit their focus to the service provider's diagnosis and whether the repair is covered by the contract, and may not deny a request due to the provider's stated fees, except where the provider's stated fee is unreasonable[11] or if the proposed repair is not covered or required under the service contract;

G. Respondents shall include instructions and an address for customers to submit formal complaints to the Division at DFR.Insurancehelp@Oregon.gov or by calling toll-free at 888-877-4894.

37. The reinstated and newly-assessed CIVIL PENALTIES ($128,000) are due and payable at the time this Order is returned to the Director .

38. This Order is binding upon Respondents' successors and assigns.

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[11] A stated fee is unreasonable if it is significantly higher than the market average for such services in the city where the residential property covered by the service contract is located.

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39. This Order is a "Final Order" under ORS 183.310(6)(b).

SO ORDERED this 9th day of January, 2024.

ANDREW R. STOLFI, Director
Department of Consumer and Business Services

/s/ Dorothy Bean
Dorothy Bean Chief of Enforcement
Division of Financial Regulation

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ENTITY CONSENT TO ENTRY OF ORDER

I, James Mostofi, state that I am an officer of CHW and am authorized to act on its behalf. I have read the foregoing Order and know and fully understand the contents hereof. I have been advised of CHW's right to a hearing and right to be represented by counsel in this matter. CHW voluntarily consents to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order. CHW understands that the Director reserves the right to take further actions against it to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Service Contract Law with the terms and conditions stated herein.

CHW further assures the Director that neither CHW nor its officers, directors, employees, or agents will effect service contract services in Oregon unless such activities are in full compliance with the Oregon Service Contract Law. CHW understands that this Consent Order is a public document.

Signature: /s/ James Mostofi

Position Held: CEO

State of New Jersey

County of Middlesex

Signed or attested before me on this 3rd day of January, 2025 by _____.

/s/ Brian Tretter
Notary Public

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ENTITY CONSENT TO ENTRY OF ORDER

I, James Mostofi, state that I am an officer of AGO and am authorized to act on its behalf. I have read the foregoing Order and know and fully understand the contents hereof. I have been advised of AGO's right to a hearing and right to be represented by counsel in this matter. AGO voluntarily consents to the entry of this Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Order. AGO understands that the Director reserves the right to take further actions against it to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Service Contract Law with the terms and conditions stated herein.

AGO further assures the Director that neither AGO nor its officers, directors, employees, or agents will effect service contract services in Oregon unless such activities are in full compliance with the Oregon Service Contract Law. AGO understands that this Consent Order is a public document.

Signature: /s/ James Mostofi

Position Held: CEO

State of New Jersey

County of Middlesex

Signed or attested before me on this 3rd day of January, 2025 by _____.

/s/ Brian Tretter
Notary Public

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