

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Before the Director of Insurance and Financial Services

Department of Insurance and
Financial Services,

Petitioner,

v

Case No. 15-953-L
Docket No. 15-012935-DIFS

Adnan Ali-Aljadri,

Respondent.

For the Petitioner:

Elizabeth V. Bolden (P69865)
Dept. of Insurance and Financial Services
611 W. Ottawa, 3rd Floor
Lansing, MI 48933

For the Respondent:

Adnan Ali-Aljadri


Issued and entered
this 20th day of May 2015
by Randall S. Gregg
Special Deputy Director

FINAL DECISION

The Administrative Law Judge issued a Proposal for Decision dated April 13, 2015. She recommended that the Director issue a final decision consistent with the Findings of Fact and Conclusions of Law as outlined in her Proposal for Decision. The factual findings in the PFD are in accordance with the preponderance of the evidence and the conclusions of law are supported by reasoned opinion. Neither party filed exceptions. Michigan courts have long recognized that the failure to file exceptions constitutes a waiver of any objections not raised. *Attorney General v. Public Service Com'n*, 136 Mich.App. 52 (1984).

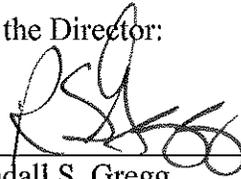
ORDER

Therefore, it is ORDERED that:

1. the PFD is adopted and made part of this final decision; and
2. the insurance producer license of Respondent is REVOKED.

Patrick M. McPharlin
Director

For the Director:



Randall S. Gregg
Special Deputy Director

STATE OF MICHIGAN
MICHIGAN ADMINISTRATIVE HEARING SYSTEM

IN THE MATTER OF:

Department of Insurance and
Financial Services,
Petitioner

v

Adnan Ali-Aljadri,
Respondent

Docket No.: 15-012935-DIFS

Case No.: 15-953-L

Agency: Department of
Insurance and
Financial Services

Case Type: DIFS-Insurance

Filing Type: Insurance

Issued and entered
this 13th day of April 2015
by Lauren G. Van Steel
Administrative Law Judge

PROPOSAL FOR DECISION

PROCEDURAL HISTORY

This matter under the Michigan Insurance Code, 1956 PA 218, as amended, MCL 500.100 *et seq.* (hereafter "Insurance Code"), concerns an Order of Summary Suspension, Notice of Opportunity for Hearing, and Notice of Intent to Revoke issued by the Chief Deputy Director on January 7, 2015, containing allegations against Adnan Ali-Aljadri, Respondent herein, along with other named individual and entities. On February 27, 2015, the Chief Deputy Director issued an Order Referring Petition for Hearing as to Respondent herein. On March 3, 2015, Petitioner filed a Request for Hearing with the Michigan Administrative Hearing System.

On March 5, 2015, the Michigan Administrative Hearing System issued a Notice of Hearing, scheduling hearing at 9:00 a.m. on March 31, 2015. The Notice of Hearing informed the parties that a default may be entered for failure to appear pursuant to the Administrative Procedures Act, 1969 PA 306, as amended; MCL 24.201 *et seq.* (hereafter "APA"). The Notice of Hearing was sent by certified mail to Respondent at his last known address and a signed return receipt card, dated March 16, 2015, was received by the Michigan Administrative Hearing System on March 23, 2015.

On March 31, 2015, the contested case hearing commenced as scheduled. Elizabeth Bolden, Attorney, appeared as a representative on behalf of Petitioner. Neither Respondent, nor an attorney or authorized representative on his behalf, appeared for the contested case hearing. After waiting over 30 minutes for Respondent to appear, the hearing proceeded pursuant to Section 72(1) of the APA after the undersigned Administrative Law Judge determined that Respondent had been properly served with the notice of hearing and that no request for adjournment had been filed prior to hearing.

Petitioner's representative moved that a default be granted in Petitioner's favor under the APA. Sections 72(1) and 78(2) of the APA state in pertinent part:

Sec. 72. (1) if a party fails to appear in a contested case after proper service of notice, the agency, if no adjournment is granted, may proceed with the hearing and make its decision in the absence of the party. MCL 24.272(1). (Emphasis supplied.)

Sec. 78. (2) Except as otherwise provided by law, disposition may be made of a contested case by stipulation, agreed settlement, consent order, waiver, default or other method agreed upon by the parties. MCL 24.278(2). (Emphasis supplied.)

Petitioner's motion for default was granted on the record. In addition, Petitioner called Jason McNally, Insurance Investigator, to testify as a witness. The following exhibits were offered by Petitioner and admitted into the record:

1. Petitioner's Exhibit No. 1 is a copy of a License History for an Insurance License regarding Adnan S. Aljadri.
2. Petitioner's Exhibit No. 2 is a copy of documents from the Wayne County A.C.T.I.O.N. Auto Task Force, dated July 1, 2014.
3. Petitioner's Exhibit No. 3 is a copy of GEICO insurance letter of August 5, 2014, to the Task Force.
4. Petitioner's Exhibit No. 4 is a copy of a Complaint-Felony, 19th District Court, dated June 17, 2014, regarding Adnan Sbahi Ali- Aljadri.
5. Petitioner's Exhibit No. 5 is a copy of an Order of Summary Suspension, Notice of Opportunity for Hearing, and Notice of Intent to Revoke, dated January 7, 2015.

6. Petitioner's Exhibit No. 6 is a copy of a response from Respondent, received January 22, 2015, with Motion and Order to Dismiss, dated January 23, 2015, Third Circuit Court, Wayne County.

At hearing, Petitioner filed its witness and exhibit lists. The record was closed at the conclusion of the hearing.

ISSUES AND APPLICABLE LAW

The issues presented in the Order of Summary Suspension, Notice of Opportunity for Hearing and Notice of Intent to Revoke as to the Respondent herein are whether he violated Sections 1205(2)(b); 1207(1); 1208a(1); 1239(1)(d),(e)&(h); 1239(3); and 1247(2) of the Insurance Code, *supra*, which provide in pertinent part:

Sec. 1201a. (2) A business entity acting as an insurance producer shall obtain an insurance producer license. A business entity applying for an insurance producer license shall file with the commissioner the uniform business entity application required by the commissioner. An application for an insurance producer license under this subsection shall not be approved unless the commissioner finds all of the following: * * *

(b) The business entity has designated an individual licensed producer responsible for the business entity's compliance with this state's insurance laws, rules, and regulations. MCL 500.1205(2)(b).

Sec. 1207. (1) An agent shall be a fiduciary for all money received or held by the agent in his or her capacity as an agent. Failure by an agent in a timely manner to turn over the money which he or she holds in a fiduciary capacity to the persons to whom they are owed is prima facie evidence of violation of the agent's fiduciary responsibility. * * * MCL 500.1207(1).

Sec. 1208a. (1) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed. MCL 500.1208a(1).

Sec. 1239.

(1) In addition to any other powers under this act, the commissioner may place on probation, suspend, or revoke an insurance producer's license or may levy a civil fine under section 1244 or any combination of actions, and the commissioner shall refuse to issue a license under section 1205 or 1206a, for any 1 or more of the following causes:

* * *

(d) Improperly withholding, misappropriating, or converting any money or property received in the course of doing insurance business.

(e) Intentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance.

* * *

(h) Using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.

* * *

(3) The license of a business entity may be suspended, revoked, or refused if the commissioner finds, after hearing, that an individual licensee's violation was known or should have been known by 1 or more of the partners, officers, or managers acting on behalf of the partnership or corporation and the violation was neither reported to the commissioner nor corrective action taken. MCL 500.1239(1)(d),(e)&(h) and MCL 500.1239(3).

Sec. 1247. (2) Within 30 days after the initial pretrial hearing date, an insurance producer shall report to the commissioner any criminal prosecution of the insurance producer taken in any jurisdiction. The report shall include a copy of the initial complaint filed, the order resulting from the hearing, and any other relevant legal documents. MCL 500.1247(2).

SUMMARY OF EVIDENCE

The following is a summary of the testimonial evidence presented by Petitioner at hearing:

Testimony of Jason McNally

Petitioner called Jason McNally to testify. Mr. McNally stated that he has been an Insurance Investigator for the Department of Insurance and Financial Services for over seven years. He was assigned to investigate a complaint from Terry Miller, Executive Director of the Michigan Automobile Insurance Placement Facility (MAIPF), regarding Respondent.

Petitioner's Exhibit No. 1 shows the license history for Respondent, which information is available on the Department's website. It shows that Respondent was licensed as a resident insurance producer in 1996, and that the current status of Respondent's license is suspended. The record reflects that Respondent does not hold an affiliation as a resident insurance producer with the Government Employees Insurance Company (GEICO).

Mr. McNally testified that he talked with Detective James Vogler and Eric Long, Investigator for GEICO. Detective Vogler confirmed that the Wayne County A.C.T.I.O.N. Auto Theft Task Force had conducted an investigation in which an undercover detective obtained automobile insurance from Respondent for \$75.00 that was purportedly unwritten by GEICO, and filled out a cancellation form. Respondent told him that the policy would cancel in two or three days. Respondent was not appointed to sell the GEICO policy.

The term of the actual GEICO policy was six months, but Respondent represented that it was a 24 to 48-hour policy. Respondent misrepresented what the policy was and had the undercover detective fill out a post-dated cancellation form at the same time as the purchase.

Mr. McNally testified that Respondent's actions created an unauthorized insurance program, unbeknownst to GEICO. Respondent collected premiums from the customers. He would make a down-payment on the policy using his own credit card, and then get a refund for the unearned premium.

Mr. McNally testified that he is aware of only one short-term policy (less than six months) authorized by the Department, which is a 7-day policy through GMAC-Integon.

Petitioner's Exhibit No. 2 is a copy of the information received from Detective Volger and the Wayne County Auto Theft Task Force. Page 7 of the document shows what Respondent told the detective, in which he appears to be saying that he was doing this to help people who could not afford insurance. When Mr. McNally checked with GEICO, however, that company said that Respondent was charging \$75.00 per policy, the company retained about \$22.00 per policy issued through this process after the cancellations, so that Respondent was keeping about \$53.00 per policy.

Petitioner's Exhibit No. 3 is the information that Eric Long from GEICO provided to him, regarding policies purchased online. GEICO became aware of the problem of a large number of cancellations and tracked the online IP address back to Respondent's business. GEICO determined that there were more than 1,600 policies issued from this IP address. The credit card number used was from Respondent, and did not belong to any of the policy owners. The initial down payment was made through Respondent's credit card. The cash that the consumers were paying was not remitted to GEICO. The initial down payment was \$107.60, but because of the cancellations GEICO refunded unearned premiums and kept an average of \$22.21. If Respondent did not cancel the policy after three days, GEICO would have earned all \$107.60. It was a way for Respondent to make money from clients who were going to cancel the policy. If consumers cancelled the policy, Respondent would have to cancel it. Here, however, the agent was taking an active role in the consumer committing fraud.

If at the point of sale, the consumer says that he wanted an insurance agent to cancel the policy one hour after he left, the agent could not do so because it would be a clear attempt to commit fraud to renew plates at the Secretary of State's office. It is the Department's position that an agent cannot facilitate fraud. The Insurance Code prohibits an agent from paying insurance for their client. [Pet. Exh. 3]. This was a program that was well known in the community. At the time that Respondent was arrested, there were customers waiting for one-day insurance. There was a felony complaint against Respondent in the 19th District Court, with the victim listed as GEICO, [REDACTED] [Pet. Exh. 4]. As a result of Mr. McNally's investigation report, the Department issued an Order of Summary Suspension and Notice of Intent to Revoke. [Pet. Exh. 5].

Respondent responded to the Order of Summary Suspension and Notice of Intent to Revoke. [Pet. Exh. 6]. Regarding whether it looked like a 7-day policy, Mr. McNally testified that it looked to the consumers like a 7-day policy, but it was actually not an approved plan. Once a 7-day policy is issued, there is nothing that is needed for it to cancel after seven days. It is not true that the \$75.00 charged by Respondent represented the cost of a three-day policy from GEICO. In fact, GEICO averaged \$22.21 profit. Agents are not allowed to charge brokerage fees.

Appointments with an insurance company are required, so that the Department is informed regarding the insurance producers selling products in the state of Michigan. If Respondent was not appointed to sell GEICO insurance products, the Department does not know that he is selling them. Respondent's response shows how active he was in committing fraud. It shows how he had to be on top of cancelling the policies, because they were six-month policies. It does not appear that Respondent understands the difference between 7-day policies and regular policies. Respondent's statement that he paid premiums for one month is not true, because he received unearned premium refunds from GEICO. Respondent's statement is untrue that \$75.00 is a fraction of what was paid by Respondent to GEICO.

Mr. McNally testified that insurance producers are required to report to Department any criminal proceedings against them. The record evidence shows that the felony charges against Respondent were dismissed. [Pet. Exh. 6].

Mr. McNally testified that Respondent violated Section 1208a(1) of the Insurance Code because he was not appointed by the insurer. Respondent violated Section 1207(1) of the Insurance Code because he accepted funds for insurance and failed to remit them. Respondent violated Section 1247(2) of the Insurance Code because he failed to report criminal charges. Respondent violated Section 1239(1) of the Insurance Code because he improperly converted funds, misrepresented terms of a contract for insurance, and demonstrated fraudulent acts, dishonest practices and untrustworthiness, incompetence and financial irresponsibility in the conduct of business.

Mr. McNally does not believe that Respondent possesses the requisite character and fitness to engage in the business of insurance, or that Respondent commands the confidence of the public or warrants the belief that he will comply with the law in the future.

FINDINGS OF FACT

1. Pursuant to Executive Order 2013-1 the Director of the Department of Insurance and Financial Services has assumed the statutory authority and responsibility, granted to the Commissioner by the Insurance Code, to exercise general supervision and control over persons transacting the business of insurance in Michigan.
2. Ali Ali (Ali), System ID No. 0593171, is a licensed resident insurance producer in the state of Michigan with qualifications to transact business in the lines of property and casualty.

3. Adnan Ali-Aljadri, Respondent in this matter, System ID No. 0159477, is a licensed resident insurance producer in the state of Michigan with qualifications to transact business in the lines of accident, health, casualty, property, life, and variable annuities.
4. AAS Insurance Agency Corporation (AAS), System ID No. 0097770, is a Michigan corporation with its principal place of business located at 13112 W. Warren Ave., Suite 5, Dearborn, MI 48126. AAS is a licensed resident insurance producer agency in the state of Michigan with qualifications to transact business in the lines of property and casualty. AAS's Designated Responsible Licensed Producer (DRLP) is Ali.
5. ASA Insurance Agency Corporation (ASA), System ID No. 0025475, is a Michigan corporation with its principal place of business located at 13112 W. Warren Ave., Suite 5, Dearborn, MI 48126. ASA is a licensed resident insurance producer agency in the state of Michigan with qualifications to transact business in the lines of accident, health, casualty, life, property, and variable annuities. ASA's DRLP is the Respondent in this matter.
6. A review of Petitioner's licensing records showed AAS and ASA shared an address, phone number and fax number. Ali and Respondent are both affiliated with AAS, and only Respondent is affiliated with ASA. Respondent and Ali are father and son.
7. Based upon the information as set forth below, protection of the public health, safety, and/or welfare requires emergency action.
8. In June 2014, Petitioner began an investigation into the Respondent's (and Ali, ASA and AAS') business activities after receiving a complaint that alleged misconduct on the part of Respondent (and Ali, ASA and AAS) in selling fraudulent insurance certificates.
9. More specifically, sometime in February 2014, GEICO documented that more than 600 direct write bonded automobile policies were fraudulently obtained using IP addresses belonging to Respondent (and Ali, ASA and AAS). The policies were purchased using Respondent's (and Ali, ASA and AAS') credit cards and then canceled within 72 hours of purchase. A cross-reference check with the Michigan Secretary of State Database (SOS) indicated that a majority of the vehicles had purchased new tags and registration the day prior to the policy being canceled.

10. In June 2014, GEICO documented an additional 220 direct write bonded automobile policies that were fraudulently obtained using IP addresses belonging to Respondent (and Ali, ASA and AAS). As before, the policies were purchased using Respondent's (and Ali, ASA and AAS') credit cards and then canceled within 72 hours of purchase. A cross-reference check with the SOS indicated that a majority of the vehicles had purchased new tags and registration the day prior to the policy being canceled.
11. Respondent (and Ali, ASA and AAS) solicited, sold and negotiated more than 800 GEICO automobile policies without being properly appointed by GEICO to do so.
12. On or about June 10, 2014, Customer entered AAS to purchase insurance. Ali assisted the gentleman with his insurance purchase. Ali stated that the premium for insurance would be \$256.00 per month. When Customer objected to the premium as being excessive and unaffordable, Ali stated he could sell Customer a one-day insurance policy for \$75.00 that would allow Customer to obtain new tags and registration. Ali cautioned that the policy was only good for one day and that it would cancel the following day.
13. Customer agreed to purchase the one-day policy for \$75.00. Ali called GEICO and submitted the insurance application to GEICO. Ali collected Customer's \$75.00 and provided Customer with a State of Michigan Certificate of No-Fault Insurance indicating Customer's vehicle was insured with "GEICO" with an effective date of "06/11/2014" and expiration date "12/11/2014." Ali effectively bound coverage through GEICO for six months' worth of coverage. However, he misrepresented it to Customer as being a one-day policy.
14. AAS and ASA were known in the community as a place where customers could purchase one-day policies for the sole purpose of purchasing new tags and registrations for their vehicle. On June 11, 2014, three additional customers entered AAS/ASA and met with Ali and Respondent to purchase one-day policies. When the three customers were later questioned by investigators, each explained that they had heard that Respondent (and Ali, AAS and ASA) would sell them a one-day policy so that they could get their tags and registration from the SOS. These customers had no intention of keeping their vehicles insured once they obtained tags and registration.
15. It was Respondent's (and Ali, AAS and ASA's) practice to submit an insurance application to GEICO and pay the initial premium to start the coverage using their credit cards. Respondent (and Ali, AAS and ASA) had the customers sign a cancellation form at the point-of-sale so that they could cancel the policy with GEICO the following day. GEICO would cancel the policy and refund

Respondent (and Ali, AAS and ASA) the premium paid. Respondent charged the customers \$75.00 for the one-day policy. The customers believed they were paying insurance premium for a legitimate one-day policy. Respondent (and Ali, AAS and ASA) pocketed the customers' money for their own personal use.

16. A one-day auto insurance policy/product has not been approved by the Director of the Department of Insurance and Financial Services (hereafter "Department Director") to be offered and sold in Michigan. Respondent (and Ali, AAS and ASA) were essentially selling six-month policies and canceling the policies before they termed. Respondent (and Ali, AAS and ASA) accepted premium funds for insurance from customers with no intent of submitting the premium to the insurance carrier prior to issuing the certificate of insurance. In fact, Ali admitted that the \$75.00 charged was a "service fee" for offering the one-day policy and not premium.
17. Based on the foregoing facts, on or about June 16, 2014, a felony complaint was filed against Ali and Respondent in the 19th District Court for the City of Dearborn alleging multiple criminal offenses had been committed by Ali and Respondent that stemmed from issuing one-day policies for the purpose of financial gain with the intent to defraud or cheat.
18. In the 15-count felony complaint, Ali and Respondent were charged with one count of conducting criminal enterprises, two counts of using a computer to commit a crime and twelve counts of false pretenses, all of which involve dishonest and fraudulent practices and untrustworthiness in the conduct of insurance business.
19. Neither Ali nor Respondent reported their criminal proceedings to Petitioner as required by the Insurance Code.
20. Respondent's (and Ali, AAS and ASA's) actions demonstrate a pattern of behavior constituting a serious threat to the public.
21. Respondent (and Ali, AAS and ASA) knew or should have known that Section 1208a(1) of the Insurance Code, MCL 500.1208a(1), provides that only a licensed insurance producer appointed by the insurer can act as an agent of the insurer and bind coverage for that insurer.
22. Respondent (and Ali, AAS and ASA) violated Section 1208a(1) of the Code when he solicited, sold and negotiated GEICO automobile insurance policies without being properly appointed by GEICO to do so.

23. Respondent (and Ali, AAS and ASA) knew or should have known that Section 1207(1) of the Insurance Code, MCL 500.1207(1), provides that an agent "shall be a fiduciary for all money received or held by the agent in his or her capacity as an agent. Failure by an agent in a timely manner to turn over the money which he or she holds in a fiduciary capacity to the persons to whom they are owed is prima facie evidence of violation of the agent's fiduciary responsibility."
24. Respondent (and Ali, AAS and ASA) violated Section 1207(1) of the Code when they accepted funds from insureds intended for the payment of insurance premium and failed to remit the funds to the insurers to which they were owed.
25. Respondent (and Ali, AAS and ASA) knew or should have known that Section 1247(2) of the Insurance Code, MCL 500.1247(2), provides that within 30 days after the initial pretrial hearing date, an insurance producer shall report to the commissioner any criminal prosecution of the insurance producer taken in any jurisdiction. The report shall include a copy of the initial complaint filed, the order resulting from the hearing, and any other relevant legal documents
26. Ali and Respondent violated Section 1247(2) of the Code, MCL 500.1247(2), when they failed to report within 30 days after the initial pretrial hearing date of their criminal proceedings filed in the 19th District Court for the City of Dearborn.
27. Respondent (and Ali, AAS and ASA) knew or should have known that Section 1205(2)(b) of the Insurance Code, MCL 500.1205(2)(b), provides that each business entity must have a DRLP who is responsible for the business entity's compliance with Michigan's insurance laws, rules and regulations. Ali is the DRLP who is responsible for AAS's compliance with Michigan's insurance laws, rules and regulations. Respondent is the DRLP who is responsible for ASA's compliance with Michigan's insurance laws, rules and regulations.
28. Respondent (and Ali, AAS and ASA) knew or should have known that Section 1239(3) of the Insurance Code, MCL 500.1239(3), provides that the license of a business entity may be suspended, revoked, or refused if the Department Director finds that an individual licensee's violation was known or should have been known by one or more of the partners, officers, or managers acting on behalf of the partnership or corporation and the violation was neither reported to the Department Director nor corrective action taken.
29. Respondent (and Ali, AAS and ASA) knew or should have known that Section 1239(1)(d) of the Insurance Code, MCL 500.1239(1)(d), provides that the Department Director may suspend or revoke the license of an insurance producer who improperly converts money and/or other valuable property received in the course of doing insurance business.

30. Respondent and Ali provided justification for suspension and revocation when they improperly converted money received as payment for insurance premiums by using money meant for insurance premiums for their own personal use.
31. AAS has provided justification for suspension and revocation of licensure when Ali, the DRLP of AAS, knew or should have known that Respondent (and Ali, AAS and ASA) were improperly converting money received as payment for insurance by using money meant for insurance premiums for their own personal use, and the violations were not reported to the Department Director and no corrective action was taken.
32. ASA has provided justification for suspension and revocation of licensure when Respondent, the DRLP of ASA, knew or should have known that Respondent (and Ali, ASA and AAS) were improperly converting money received as payment for insurance by using money meant for insurance premiums for their own personal use, and the violations were not reported to the Director and no corrective action was taken.
33. Respondent (and Ali, ASA and AAS) knew or should have known that Section 1239(1)(e) of the Insurance Code, MCL 500.1239(1)(e), provides that the Department Director may suspend or revoke the license of an insurance producer who intentionally misrepresents the terms of an actual or proposed insurance contract or application for insurance.
34. Respondent and Ali have provided justification for suspension and revocation of licensure when they intentionally misrepresented the terms of the application for insurance by soliciting customers to complete an insurance application for a one-day insurance product that was not approved by the Department Director to be offered and sold in Michigan.
35. AAS has provided justification for suspension and revocation of licensure when Ali, the DRLP of AAS, knew or should have known that Respondent (and Ali, ASA and AAS) were intentionally misrepresenting the terms of the application for insurance by soliciting customers to complete an insurance application for a one-day insurance product that was not approved by the Department Director to be offered and sold in Michigan, and the violations were not reported to the Department Director and no corrective action was taken, that such conduct is a violation under the Code.
36. ASA has provided justification for suspension and revocation of licensure when Respondent, the DRLP of ASA, knew or should have known that Respondent (and Ali, ASA and AAS) were intentionally misrepresenting the terms of the

application for insurance by soliciting customers to complete an insurance application for a one-day insurance product that was not approved by the Department Director to be offered and sold in Michigan, and the violations were not reported to the Department Director and no corrective action was taken, that such conduct is a violation under the Insurance Code.

37. Respondent and Ali have provided justification for suspension and revocation of licensure when they intentionally misrepresented the terms of an actual insurance contract by binding automobile coverage effective for six months and selling it to customers as a one-day insurance product that was not approved by the Department Director to be offered and sold in Michigan.
38. AAS has provided justification for suspension and revocation of licensure when Ali, the DRLP of AAS, knew or should have known that Respondent (and Ali, AAS and ASA) were intentionally misrepresenting the terms of an actual insurance contract by binding automobile coverage effective for six months and selling it to customers as a one-day insurance product that was not approved by the Department Director to be offered and sold in Michigan, and the violations were not reported to the Department Director and no corrective action was taken, that such conduct is a violation under the Insurance Code.
39. ASA has provided justification for suspension and revocation of licensure when Respondent, the DRLP of ASA, knew or should have known that Respondent (and Ali, AAS and ASA) were intentionally misrepresenting the terms of an actual insurance contract by binding automobile coverage effective for six months and selling it to customers as a one-day insurance product that was not approved by the Department Director to be offered and sold in Michigan, that such conduct is a violation under the Insurance Code, and the violations were not reported to the Department Director nor corrective action taken.
40. Respondent (and Ali, AAS and ASA) knew or should have known that Section 1239(1)(h) of the Insurance Code, MCL 500.1239(1)(h), provides that the Department Director may suspend or revoke the license of an insurance producer who uses fraudulent or dishonest practices and/or demonstrates untrustworthiness, incompetence and financial irresponsibility in the conduct of business.
41. Respondent and Ali have provided justification for suspension and revocation of licensure by using fraudulent and dishonest practices and/or demonstrating untrustworthiness, incompetence and financial irresponsibility in the conduct of business by:

- a. Soliciting, selling and negotiating one-day insurance products that were not approved by the Department Director to be offered and sold in Michigan;
 - b. Accepting premium funds with no intention of remitting them to an insurer;
 - c. Falsely recording premium received by customers;
 - d. Failing to remit insurance premium funds to the insurer to which they were due;
 - e. Issuing certificates of insurance after a cancelation form had been completed;
 - f. Intentionally misrepresenting the terms of the application for insurance by soliciting customers to complete an insurance application for a one-day insurance product that was not approved by the Department Director to be offered and sold in Michigan;
 - g. Intentionally misrepresenting the terms of an actual insurance contract by binding automobile coverage effective for six months and selling it to customers as a one-day insurance product that was not approved by the Department Director to be offered and sold in Michigan;
 - h. Presenting insurance applications for insurance products to GEICO knowing that they would be submitted and canceled the next day; and,
 - i. Using the cover of the insurance transaction to defraud the Secretary of State and the state of Michigan for the purpose of financial gain and benefit by selling products to customers that were not approved by the Department Director to be offered and sold in Michigan, and that misled the Secretary of State into issuing license plate tags for cars that would be thereafter driven without the required insurance.
42. AAS has provided justification for suspension and revocation of licensure when Ali, AAS's DRLP, knew or should have known that Respondent (and Ali, ASA and AAS) were using fraudulent and dishonest practices and/or demonstrating untrustworthiness, incompetence and financial irresponsibility in the conduct of business by:
- a. Soliciting, selling and negotiating one-day insurance products that were not approved by the Department Director to be offered and sold in Michigan;
 - b. Accepting premium funds with no intention of remitting them to an insurer;

- c. Falsely recording premium received by customers;
- d. Failing to remit insurance premium funds to the insurer to which they were due;
- e. Issuing certificates of insurance after a cancellation form had been completed;
- f. Intentionally misrepresenting the terms of the application for insurance by soliciting customers to complete an insurance application for a one-day insurance product that was not approved by the Department Director to be offered and sold in Michigan;
- g. Intentionally misrepresenting the terms of an actual insurance contract by binding automobile coverage effective for six months and selling it to customers as a one-day insurance product that was not approved by the of Department Director to be offered and sold in Michigan;
- h. Presenting insurance applications for insurance products to GEICO knowing that they would be submitted and canceled the next day;
- i. Using the cover of the insurance transaction to defraud the Secretary of State and the state of Michigan for the purpose of financial gain and benefit by selling products to customers that were not approved by the Department Director to be offered and sold in Michigan, and that misled the Secretary of State into issuing license plate tags for cars that would be thereafter driven without the required insurance;

and the violations were not reported to the Department Director nor corrective action taken.

43. ASA has provided justification for suspension and revocation of licensure when Respondent, ASA's DRLP, knew or should have known that Respondent (and Ali, ASA and AAS) were using fraudulent and dishonest practices and/or demonstrating untrustworthiness, incompetence and financial irresponsibility in the conduct of business by:
- a. Soliciting, selling and negotiating one-day insurance products that were not approved by the Department Director to be offered and sold in Michigan;
 - b. Accepting premium funds with no intention of remitting them to an insurer;
 - c. Falsely recording premium received by customers;

- d. Failing to remit insurance premium funds to the insurer to which they were due;
- e. Issuing certificates of insurance after a cancelation form had been completed;
- f. Intentionally misrepresenting the terms of the application for insurance by soliciting customers to complete an insurance application for a one-day insurance product that was not approved by the Department Director to be offered and sold in Michigan;
- g. Intentionally misrepresenting the terms of an actual insurance contract by binding automobile coverage effective for six months and selling it to customers as a one-day insurance product that was not approved by the Department Director to be offered and sold in Michigan;
- h. Presenting insurance applications for insurance products to GEICO knowing that they would be submitted and canceled the next day;
- i. Using the cover of the insurance transaction to defraud the Secretary of State and the state of Michigan for the purpose of financial gain and benefit by selling products to customers that were not approved by the Department Director to be offered and sold in Michigan, and that misled the Secretary of State into issuing license plate tags for cars that would be thereafter driven without the required insurance;

and the violations were not reported to the Department Director nor corrective action taken.

- 44. The alleged conduct of Respondent (and Ali, AAS and ASA) indicates that a summary suspension of licensure is appropriate and necessary in order to protect the public from further financial damage and other harm and to protect the public interest.
- 45. The alleged conduct of Respondent (and Ali, AAS and ASA) indicates that they do not possess the requisite character and fitness to be engaged in the business of insurance, and further indicates that they do not command the confidence of the public nor warrant the belief that they will comply with the law.
- 46. The testimony of Jason McNally, Insurance Investigator, as summarized above, is found to be credible and supported by the admitted exhibits.

CONCLUSIONS OF LAW

In this matter, Petitioner has the burden of proof as the complaining party to show by a preponderance of the evidence the truth of the factual and legal allegations made against Respondent herein. As the Michigan Supreme Court has stated, "[p]roof by a preponderance of the evidence requires that the fact finder believe that the evidence supporting the existence of the contested fact outweighs the evidence supporting its nonexistence." *Blue Cross and Blue Shield of Michigan v Milliken*, 422 Mich 1; 367 NW2d 1 (1985).

Based on the default ruling granted for Petitioner and against Respondent under Section 78(2) of the APA, *supra*, the factual and legal allegations set forth in the Order of Summary Suspension, Notice of Opportunity for Hearing, and Notice of Intent to Revoke are taken as true and proven. Under the APA, there is no requirement for a full evidentiary hearing when all alleged facts are taken as true. *Smith v Lansing School District*, 428 Mich 248; 406 NW2d 825 (1987).

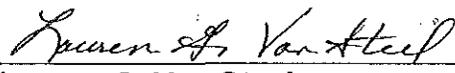
Pursuant to the above Findings of Fact, it is therefore concluded that Petitioner has established by a preponderance of evidence that Respondent has violated Sections 1205(2)(b); 1207(1); 1208a(1); 1239(1)(d),(e)&(h); 1239(3); and 1247(2) of the Insurance Code, *supra*.

PROPOSED DECISION

The undersigned Administrative Law Judge proposes that the Department Director issue a final decision and order that adopts the above findings of fact and conclusions of law and contains a sanction or sanctions as deemed appropriate by the Department Director in accordance with the Insurance Code, *supra*.

EXCEPTIONS

The parties may file written Exceptions to this Proposal for Decision within 21 days after it is issued. If Exceptions are timely filed, Replies to Exceptions may be filed within 14 days thereafter. Any Exceptions or Replies to Exceptions should be addressed to the Department of Insurance and Financial Regulation, 611 West Ottawa Street, 3rd Floor, P.O. Box 30220, Lansing, Michigan 48909; Attention: Dawn Kobus.



Lauren G. Van Steel
Administrative Law Judge