

**STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**

Before the Director of the Department of Insurance and Financial Services

In the matter of:

ALI ALI
System ID No. 0593171

ENFORCEMENT CASE NO. 14-12231

ADNAN ALI-ALJADRI
System ID No. 0159477

AAS INSURANCE AGENCY CORPORATION
System ID No. 0097770

ASA INSURANCE AGENCY CORPORATION
System ID No. 0025475

Respondents.

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**Issued and entered
on January 7, 2015
By Teri L. Morante
Chief Deputy Director**

**ORDER OF SUMMARY SUSPENSION, NOTICE OF OPPORTUNITY FOR HEARING,
AND NOTICE OF INTENT TO REVOKE**

Pursuant to the Section 1242 of the Michigan Insurance Code (Code), MCL 500.1242, and Section 92 of the Michigan Administrative Procedures Act (APA), MCL 24.292, and based upon the attached FINDINGS, including that the public health, safety and welfare requires emergency action,

IT IS THEREFORE ORDERED that:

1. The insurance producer licenses and authority of Respondents are **SUMMARILY SUSPENDED**.
2. A copy of this Order shall be immediately served upon Respondents. This order shall be effective upon the date of service.
3. If requested by Respondents, a hearing on this matter shall be held within a reasonable time, but not later than 20 calendar days after service of this Order, unless Respondents request a later date. The hearing shall address the following issues:

- a. Whether the suspension should be continued or withdrawn.
 - b. Whether Respondents' licenses should be revoked.
4. If a hearing is requested, an administrative law judge from the Michigan Administrative Hearing System shall preside over any such hearing.
 5. The Director retains jurisdiction of the matters contained within and the authority to issue such further Orders as shall be deemed just, necessary and appropriate.


Teri L. Morante
Chief Deputy Director

FINDINGS OF FACT AND CONCLUSIONS OF LAW

6. Pursuant to Executive Order 2013-1 the Director has assumed the statutory authority and responsibility, granted to the Commissioner by the Insurance Code of 1956, MCL 500.100 *et seq.*, to exercise general supervision and control over persons transacting the business of insurance in Michigan.
7. 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.
8. Adnan Ali-Aljadri (Aljadri), 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.
9. 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.
10. 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 Aljadri.
11. A review of DIFS licensing records showed AAS and ASA shared an address, phone number and fax number. Ali and Aljadri are both affiliated with AAS, and only Aljadri is affiliated with ASA. Aljadri and Ali are father and son.

12. Based upon the information as set forth below, protection of the public health, safety, and/or welfare requires emergency action.
13. In June 2014, DIFS began an investigation into the Respondents' business activities after receiving a complaint that alleged misconduct on the part of Respondents in selling fraudulent insurance certificates.
14. 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 Respondents. The policies were purchased using Respondents' 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.
15. In June 2014, GEICO documented an additional 220 direct write bonded automobile policies that were fraudulently obtained using IP addresses belonging to Respondents. As before, the policies were purchased using Respondents' 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.
16. Respondents solicited, sold and negotiated more than 800 GEICO automobile policies without being properly appointed by GEICO to do so.
17. 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 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 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.
18. Customer agreed to purchase the one-day policy for \$75. Ali called GEICO and submitted the insurance application to GEICO. Ali collected Customer's \$75 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.
19. Respondents 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 Aljadri to purchase one-day policies. When the three customers were later questioned by investigators, each explained that they had heard that Respondents 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.

20. It was Respondents' practice to submit an insurance application to GEICO and pay the initial premium to start the coverage using Respondents' credit cards. Respondents had the customers sign a cancelation form at the point-of-sale so that Respondents could cancel the policy with GEICO the following day. GEICO would cancel the policy and refund Respondents the premium paid. Respondents charged the customers \$75 for the one-day policy. The customers believed they were paying insurance premium for a legitimate one-day policy. Respondents pocketed the customers money for their own personal use.
21. A one-day auto insurance policy/product has not been approved by the Director to be offered and sold in Michigan. Respondents were essentially selling six-month policies and canceling the policies before they termed. Respondents 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 charged was a "service fee" for offering the one-day policy and not premium.
22. Based on the foregoing facts, on or about June 16, 2014, a felony complaint was filed against Ali and Aljadri in the 19th District Court for the City of Dearborn alleging multiple criminal offenses had been committed by Ali and Aljadri that stemmed from issuing one-day policies for the purpose of financial gain with the intent to defraud or cheat.
23. In the fifteen count felony complaint, Ali and Aljadri 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.
24. Neither Ali nor Aljadri reported their criminal proceedings to DIFS as required by the Code.
25. Respondents' actions demonstrate a pattern of behavior constituting a serious threat to the public.
26. Respondents knew or should have known that Section 1208a(1) of the 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.
27. Respondents violated Section 1208a(1) of the Code when they solicited, sold and negotiated GEICO automobile insurance policies without being properly appointed by GEICO to do so.
28. Respondents knew or should have known that Section 1207(1) of the 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."

29. Respondents 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.
30. Respondents knew or should have known that Section 1247(2) of the 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.
31. Respondents Ali and Aljadri 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.
32. Respondents knew or should have known that Section 1205(2)(b) of the 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. Aljadri is the DRLP who is responsible for ASA's compliance with Michigan's insurance laws, rules and regulations.
33. Respondents knew or should have known that Section 1239(3), MCL 500.1239(3), provides that the license of a business entity may be suspended, revoked, or refused if the 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 Director nor corrective action taken.
34. Respondents knew or should have known that Section 1239(1)(d) of the Code, MCL 500.1239(1)(d), provides that the 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.
35. Respondents Ali and Aljadri 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.
36. Respondent AAS has provided justification for suspension and revocation of licensure when Ali, the DRLP of AAS, knew or should have known that Respondents 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.
37. Respondent ASA has provided justification for suspension and revocation of licensure when Aljadri, the DRLP of ASA, knew or should have known that Respondents 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.
38. Respondents knew or should have known that Section 1239(1)(e) of the Code, MCL 500.1239(1)(e), provides that the 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.
 39. Respondents Ali and Aljadri 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 Director of DIFS to be offered and sold in Michigan.
 40. Respondent AAS has provided justification for suspension and revocation of licensure when Ali, the DRLP of AAS, knew or should have known that Respondents 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 Director of DIFS to be offered and sold in Michigan, and the violations were not reported to the Director and no corrective action was taken, that such conduct is a violation under the Code.
 41. Respondent ASA has provided justification for suspension and revocation of licensure when Aljadri, the DRLP of ASA, knew or should have known that Respondents 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 Director of DIFS to be offered and sold in Michigan, and the violations were not reported to the Director and no corrective action was taken, that such conduct is a violation under the Code.
 42. Respondents Ali and Aljadri 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 Director of DIFS to be offered and sold in Michigan.
 43. Respondent AAS has provided justification for suspension and revocation of licensure when Ali, the DRLP of AAS, knew or should have known that Respondents 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 Director of DIFS to be offered and sold in Michigan, and the violations were not reported to the Director and no corrective action was taken, that such conduct is a violation under the Code.
 44. Respondent ASA has provided justification for suspension and revocation of licensure when Aljadri, the DRLP of ASA, knew or should have known that Respondents 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 Director of DIFS to be offered and sold in Michigan, that such conduct is a violation under the Code, and the violations were not reported to the Director nor corrective action taken.

45. Respondents knew or should have known that Section 1239(1)(h) of the Code, MCL 500.1239(1)(h), provides that the 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.
46. Respondents Ali and Aljadri 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 Director of DIFS 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 Director of DIFS 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 Director of DIFS 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 Director of DIFS 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.
47. Respondent AAS has provided justification for suspension and revocation of licensure when Ali, AAS's DRLP, knew or should have known that Respondents 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 Director of DIFS 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 Director of DIFS 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 Director of DIFS 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 Director of DIFS 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 Director nor corrective action taken.

48. Respondent ASA has provided justification for suspension and revocation of licensure when Aljadri, ASA's DRLP, knew or should have known that Respondents 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 Director of DIFS 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 Director of DIFS 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 Director of DIFS 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 Director of DIFS 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 Director nor corrective action taken.

- 49. The alleged conduct of Respondents 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.
- 50. The alleged conduct of Respondents indicates that Respondents do not possess the requisite character and fitness to be engaged in the business of insurance, and further indicates that Respondents do not command the confidence of the public nor warrant the belief that Respondents will comply with the law.