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LEGAL DIVISION
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7

8 **BEFORE THE INSURANCE COMMISSIONER**
9 **OF THE STATE OF CALIFORNIA**

10
11 In the Matters of the Licenses and
Licensing Rights of

12 Manal Sabry

13 Respondent;

14 and

15 Versal Insurance Services, Inc.,

16 Respondent.
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18

ACCUSATION

VA 1097-A (Manal Sabry)

VA 1096-A (Versal Insurance Services, Inc.)

19 **1. JURISDICTION**

20 1. This matter arises under the California Insurance Code¹, Division 1, Part 1, and
21 Part 2, Chapters 1, 2, 5 and 12 and Division 3, Chapters 1 and 2, which governs the licensing of
22 production agencies, including insurance companies, brokers, and agents.

23 2. The regulations governing insurance companies, brokers and agents are
24 contained in Title 10, Chapter 5, of the California Code of Regulations.

25 3. The Department of Insurance (“Department”) is the agency of the
26 State of California responsible for the licensing and monitoring of the insurance
27 industry, including insurance companies, brokers, and agents.

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¹ All references to ‘Code’ are to the California Codes unless otherwise stated.

1 4. This matter before the Department must be conducted in conformity with the
2 provisions of the California Administrative Procedures Act, Government Code section 11500
3 et.seq. Pursuant to Insurance Code sections 1668, 1668.5, 1738, and 1739 the Commissioner may
4 institute or continue a disciplinary proceeding against a licensee and a controlling person of a
5 licensed organization for the grounds set forth in California Insurance Code sections 1668 and
6 1668.5. Pursuant to California Insurance Code section 1748.5, the Commissioner may issue an
7 order prohibiting a “subject person” from participating in the business of an insurer or production
8 agency.

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10 **2. PARTIES**

11 6. Complainant, JOHN GARAMENDI, is the Insurance Commissioner. Pursuant to
12 Government Code section 11503, complainant files this matter in his official capacity.

13 7. a. Respondent, MANAL SABRY (hereinafter referred to “Sabry”)
14 holds a Fire and Casualty Broker-Agent, license number OD72489 issued by the Department. At
15 all relevant times referenced herein, she is, and has been, the Chief Executive Officer and
16 controlling person of Respondent VERSAL INSURANCE SERVICES, INC.

17 b. Respondent VERSAL INSURANCE SERVICES, INC. (hereafter referred
18 to as “Versal Insurance”) holds an organizational Fire and Casualty Broker-Agent license, license
19 number OD99203 issued by the Department.

20 **3. ALLEGATIONS**

21 **a. Failure to Remit Premium resulting in two uninsured losses.**

22 8. In June 2002 Mr. Robert Hurley (hereinafter “Hurley”) called Versal Insurance
23 requesting a quote on automobile liability coverage. On June 13, 2002, Mr. Hurley traveled to the
24 Versal Insurance office and applied for the insurance in person. He met with a woman at Versal
25 Insurance who advised that the annual premium would be \$699 and that he would be insured
26 through “Top Rate Insurance Services, Inc.” He paid the full premium with \$200 in cash and a
27 check for \$500, made payable to “Sam Mostafa,” pursuant to the woman’s instruction. [Sam
28 Mostafa, aka Hossam Ali (Sam) Mostafa, held a California fire and casualty broker-agent license

1 until its revocation in January 2000. He is thought to be related to Respondent Sabry. Hossam Ali
2 (Sam) Mostafa shall hereinafter be referred to as “Mostafa”] Mr. Hurley was advised that the
3 policy would be mailed to him. However, he never received a policy.

4 9. On September 16, 2002 Hurley was involved in an automobile accident.
5 He contacted Versal to report the accident. However, Versal Insurance had failed to procure
6 insurance for Hurley, and he was left uninsured concerning the claim for \$2303.12 made by the
7 other driver and his insurance company against Mr. Hurley. Versal had failed to remit timely the
8 premium to Top Rate Insurance Services, Inc. in June 2002 for the annual policy purchased by
9 Hurley.

10 10. In November 2002, Hurley was involved in a second accident. Hurley was left
11 uninsured concerning the \$18,500 claim by the other driver’s insurer, Mercury Insurance Group.
12 As referenced in paragraph 10, above, Versal had failed to remit timely the premium to Top Rate
13 Insurance Services, Inc. in June 2002 for the annual policy purchased by Hurley.

14 **b. Allowing and aiding and abetting insurance transactions by a Mostafa, a non-**
15 **licensed person.**

16 **The Hurley Transaction**

17 11. As referenced in paragraphs 10 and 11 above, Hurley purchased insurance from
18 Versal in June 2002. Although, as above, Hurley did not deal directly with him, Mostafa, who
19 does not hold a California insurance license, his fire and casualty broker-agent license having
20 been revoked for cause in January 2000, was directly involved in the Hurley transaction. The
21 woman who dealt with Hurley instructed Hurley to write out his premium check payable to
22 Mostafa. Mostafa negotiated the check. After Hurley’s first accident in September 2002, Mostafa
23 advised a friend of Hurley’s, Ms. Faux, who was helping Hurley with the insurance question, that
24 the check had been misplaced. When informed of the accident, Mostafa promised to pay for the
25 repair to the other driver’s vehicle, which he did not do. Further, on September 25, 2002, after the
26 first accident, Mostafa submitted a new application to Top Rate Insurance Services, Inc. on behalf
27 of Hurley, with apparently bogus signatures, as Hurley signed no other insurance application
28 paperwork after his June 2002 visit to Versal. Then, Mostafa submitted only \$59.00 of the total

1 premium for the “newly” applied for policy. Hurley never received the policy or the cancellation
2 notice regarding the policy supposedly arising out of this “second” application.

3 **The Weiss Transaction**

4 12. Bettina Weiss purchased automobile insurance from Mostafa at the Versal
5 Insurance office on or about June 16, 2003. Mostafa handled the transaction on his own and
6 provided Ms. Weiss with a temporary insurance identification card noting the producer to be
7 Versal Insurance and the insurer to be Unitrin Financial Indemnity Company.

8 **The Minaire Transaction**

9 13. Salim Minaire purchased automobile insurance from Mostafa at the Versal
10 Insurance office on or about June 10, 2003. Mostafa handled the transaction on his own. Mr.
11 Minaire received a policy declaration notice from Financial Indemnity Company effective June
12 10, 2003.

13 **The Hammond Transaction**

14 14. Jeffrey Hampton purchased automobile insurance from Mostafa at the Versal
15 Insurance office on or about August, 2002. Mostafa handled the transaction on his own. On June
16 20, 2003, Mr. Hampton returned to the Versal Insurance to renew his coverage and Mostafa,
17 again, handled the transaction. Mr. Hampton received a policy declaration notice regarding the
18 from Financial Indemnity Company effective June 20, 2003.

19 **The Tyler Transaction**

20 15. Elaine Tyler purchased automobile insurance from Mostafa at the Versal Insurance
21 office on or about April 11, 2003. Mostafa handled the transaction on his own. Ms. Tyler
22 received a policy declaration notice from Financial Indemnity Company effective April 11, 2003.

23 **c. Respondent Sabry allowed and aided and abetted a non-licensed person, Mostafa, to**
24 **impersonate her in order to obtain a Broker-Company Agreement between Unitrin**
25 **Specialty Lines Insurance and Versal Insurance.**

26 16. On or about January 9, 2003, Versal Insurance entered into a broker agreement
27 with Unitrin Specialty Lines Insurance, (hereinafter Unitrin”) Mostafa met with Unitrin’s sales
28 manager and impersonated Respondent Versal, leading the sales manager to believe that he was

1 dealing with a licensed agent-broker. Mostafa provided information to Unitrin that referred to the
2 contact person at Versal Insurance as “Sam Sabry.” The documents related to the broker
3 agreement, including the agreement, itself, signed on behalf of Versal, note the signatory to be
4 “Manal S. Sabry.” A January 21, 2003 letter generated by Unitrin indicating that Versal
5 Insurance’s appointment had been processed, is addressed to “Mr. Sabry.” The salutation “Mr.” is
6 significant because Sabry is a female and Mostafa is a male. A business card provided by Versal
7 Insurance to Unitrin has the name “Sam” handwritten in under the pre-printed name of Manal S.
8 Sabry.

9 **4. INSURANCE CODE VIOLATIONS**

10 In paragraphs 8 through 16, the Department has alleged misconduct by Respondent Versal
11 Insurance and its controlling person Respondent Sabry. This conduct represents Insurance Code
12 violations as referenced below.

13 **Uninsured Losses**

14 17. The Respondents failed to procure insurance for Hurley, leaving him with the false
15 impression that she was insured, and exposing him to an two uninsured losses, in violation of the
16 following Insurance Code Sections: 1668 (d) [not of good business reputation]; 1668 (e) [lacking
17 in integrity]; 1668 (h) [incompetent, untrustworthy, exposed the insured to a danger of loss, in
18 this case, an actual loss]; 1668 (k) [knowingly misrepresenting the terms or effect of the insurance
19 policy]; 1668 (l) [acts expressly forbidden by the code]; 1733 [theft of fiduciary funds].

20 **Unlicensed Transactions**

21 18. Respondents allowed and aided and abetted Mostafa, a non-licensed person, to
22 transact the business of insurance in violation of the following Insurance Code Sections: 1631
23 [necessity of a license]; 1633 [acting without a license is a misdemeanor]; 1668 (l) [the licensees
24 have committed acts expressly forbidden by the code]; 1668 (n) [aiding and abetting another in
25 improper acts under the code].

26 **Acts of Controlling Person**

27 19. The acts of Sabry, in her capacity as the controlling person at Versal Insurance,
28 represent violations by the business entity, Versal Insurance, as well, pursuant to Insurance Code

1 Section 1668.5 (1) [fraudulent and dishonest practices]; (2) [untrustworthiness] (3)
2 [misrepresentation]; (4) [committed acts forbidden by the code]; (6) [aiding and abetting another
3 in the violation of the code]; (7) [permitted employees to violate the code.]

4 **Impersonating a licensed person**

5 20. Respondent Sabry, as the controlling person of Versal Insurance, allowed Mostafa,
6 a non-licensed person, to represent to others that he was, in fact, Sabry, for purposes of obtaining
7 a broker agreement. Mostafa's conduct may be a violation of Penal Code Section 529 and the
8 Respondent's conduct in allowing it, aiding it and perhaps abetting it, represents violations of
9 following Insurance Code Sections: 1668 (d) [not of good business reputation]; 1668 (e) [lacking
10 in integrity]; 1668 (l) [acts expressly forbidden by the code]; 1668 (n) [aided and abetted another
11 in improper acts under the code]; 1668.5 (1) [fraudulent and dishonest practices]; (2)
12 [untrustworthiness] (3) [misrepresentation]; (4) [committed acts forbidden by the code]; (6)
13 [aiding and abetting others in the violation of the code]; (7) [permitted employees to violate the
14 code.]

15 **6. PETITION FOR DISCIPLINE AND FOR CEASE AND DESIST ORDER**

16 The Department prays for issuance of an Order that:

- 17 1. Revokes the license and licensing of Respondents.
- 18 2. Requires Respondents to cease and desist from further participation in the
19 insurance industry in any capacity until expressly permitted to resume
20 participation in the insurance industry by written order of the Commissioner. The
21 prohibition shall include, but not limited to:
 - 22 a. Soliciting, negotiating, executing, delivering, effecting, arranging, or
23 otherwise transacting insurance in any manner in exchange for
24 compensation of any kind. "Soliciting" means making any oral or written
25 statement with the intention or possible effect of provoking a person's
26 interest in purchasing an insurance product. "Negotiating" means having
27 any discussion with the objective arranging the purchase or sale of
28 insurance for compensation of any kind.

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- b. Having any contact whatsoever with any other person, for the purpose of soliciting, negotiating, arranging, discussing, or otherwise transacting insurance in any manner.
- c. Advertising, or participating in advertising, by newspaper, telephone book or listing, mail, handout, business card, or by any other written or printed presentation, or in any other manner or means whatsoever, whether personally or through others, which implies that respondent is licensed or is engaged in the business or soliciting, negotiating, executing, delivering, or furnishing insurance in any manner.
- d. Acting as an owner, partner, officer, director, shareholder, stockholder, or employee, or having any interest in any insurance business.
- e. Acting as an office manager, agent, broker, general agent, managing general agent, underwriter, consultant, or otherwise supervising, controlling, advising, or participating in the conduct of an insurance business.
- f. Receiving money, commission, fee, rebate, payment, remuneration, or any other valuable consideration whatsoever, in connection with any insurance transaction, for work for, advice to, or consultation with any insurance business.
- g. Acting as an employee, agent, broker, solicitor, office clerk, secretary, consultant, advisor, or otherwise providing any aid or assistance whatsoever, whether on a permanent, full time, temporary, or limited basis, for any insurance licensee or business.
- h. Handling, controlling, delivering, transporting, distributing, storing, maintaining, creating, completing, executing, or having access to any blank insurance binder, insurance identification card, or certificate of insurance.
- i. Collecting, receiving, requesting, maintaining, handling, distributing, refunding, returning, remitting, assigning, effecting, having access to,

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controlling, or otherwise having anything to do with any money that has
anything to do with an insurance business.

Dated: April 5, 2004

The California Department of Insurance

By

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Michael T. Tancredi

Staff Counsel