

MAY 16 2019

DEPT OF INSURANCE
BY MEK

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

In the Matter of:

No. 19A-021-INS

KATAL, INGRID E.,

ORDER

Petitioner.

On May 10, 2019, the Office of Administrative Hearings, through Administrative Law Judge Thomas Shedden, issued an Administrative Law Judge Decision ("Recommended Decision"), received by the Director of the Department of Insurance ("Director") on May 13, 2019, a copy of which is attached and incorporated by this reference. The Director of the Department of Insurance has reviewed the Recommended Decision and enters the following Order:

1. The Director adopts the Recommended Findings of Fact and Conclusions of Law.
2. The Director denies **Ingrid E. Katal's** application for an Arizona insurance producer license.

NOTIFICATION OF RIGHTS

Pursuant to Arizona Revised Statutes ("A.R.S.") § 41-1092.09, Petitioner may request a rehearing with respect to this order by filing a written motion with the Director of the Department of Insurance within 30 days of the date of this Order, setting forth the basis for relief under A.A.C. R20-6-114(B). Pursuant to A.R.S. § 41-1092.09, it is not necessary to request a rehearing before filing an appeal to Superior Court.

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MAY 13 2019

DEPT. OF INSURANCE
BY: MEK

IN THE OFFICE OF ADMINISTRATIVE HEARINGS

In the Matter of:
KATAL, INGRID
Petitioner.

No. 19A-021-INS

**ADMINISTRATIVE LAW JUDGE
DECISION**

HEARING: April 8, 2019

APPEARANCES: Ingrid Katal on her own behalf; Deian Ousounov, Esq. for the
Department of Insurance

ADMINISTRATIVE LAW JUDGE: Thomas Shedden

FINDINGS OF FACT

1. On February 12, 2019, the Arizona Department of Insurance ("Department") issued a Notice of Hearing setting the above-captioned matter for hearing on April 8, 2019 at the Office of Administrative Hearings in Phoenix, Arizona.
2. The issue for hearing is Petitioner Ingrid Katal's appeal of the Department's decision to deny her application for a producer's license.
3. Ms. Katal appeared and testified on her own behalf, and she also presented the testimony of Gina Hattenbach.
4. Ms. Hattenbach has been licensed as an attorney in California since 1999. Between 2003 and 2015 she represented Ms. Katal in various matters, and she has been Ms. Katal's friend for sixteen years.
5. The Department presented the testimony of Aqueelah Currie, its Licensing Supervisor.
6. On December 4, 2018, Ms. Katal filed with the Department an application for an Individual Producer License.
7. In her application, Ms. Katal answered "yes" to Question 5 of the Background section, which as pertinent to this matter, asks whether the applicant has been found liable in a lawsuit involving allegations of fraud.

1 8. Ms. Katal disclosed that a judgment had been entered against her in a
2 lawsuit in California. The judgment arose from a fraudulent transfer made to Ms. Katal
3 at the time of her divorce.

4 9. In a letter dated January 18, 2019, the Department informed Ms. Katal that
5 her application had been denied based on ARIZ. REV. STAT. section 20-295(A)(8).

6 10. Ms. Katal requested a hearing, which led to the instant matter be
7 scheduled.

8 11. In 2004, Ms. Katal and her now ex-husband, Siamak Katal, created the
9 Katal Revocable Living Trust and were co-trustees.

10 12. Ms. Katal and Mr. Katal created a company called Detection Logic Fire
11 Protection, Inc. that was sold to Integrated Products and Services, Inc. ("IPS") on
12 December 12, 2008.

13 13. In March 2010, IPS filed an Amended Complaint against Kayne Anderson
14 Private Investors, L.P. and others related entities ("Kayne Anderson"), Mr. Katal, the
15 Trust. Some evidence shows that Ms. Katal had also been named as a party in that suit
16 and was eventually dropped as a defendant, but there is also evidence to the effect that
17 she was not named in that suit.

18 14. In April 2010, Ms. Katal and Mr. Katal separated and in June 2010 they
19 filed for divorce.

20 15. On June 9, 2010, Ms. Katal executed an amendment to the Trust, which
21 was at that time known as the Katal Family Trust. At that time, Ms. Katal voluntarily
22 resigned her rights and responsibilities as a trustee and trustor in the Trust, and Mr.
23 Katal became the sole trustee. After that time Ms. Katal did not act as a trustee for the
24 Trust.

25 16. Through Awards entered in January and April 2011, IPS obtained a
26 judgment against Mr. Katal, the Trust and Kayne Anderson. Kayne Anderson paid that
27 judgment and then filed suit against Mr. Katal and the Trust for comparative equitable
28 indemnity, contribution, and other causes of action. Kayne Anderson was awarded a
29 judgment against Mr. Katal and the Trust in the amount of \$9,756,163.70.

30 17. Ms. Katal and Mr. Katal were divorced in 2012.

1 18. On or about October 23, 2014, Kayne Anderson filed against Ms. Katal
2 (and Does 1 -10) in the Superior Court of Los Angeles County a complaint for
3 fraudulent transfer.

4 19. Kayne Anderson in its suit against Ms. Katal alleged in essence that Mr.
5 Katal and the Trust had made transfers to her in an attempt circumvent its judgment
6 against Mr. Katal and the Trust.

7 20. Ms. Katal initially defended herself in the lawsuit, but on March 6, 2017,
8 the Court entered a default judgment against Ms. Katal and found her liable for
9 damages of \$2,193,149.¹

10 21. According to Ms. Katal, she stopped defending herself because of the cost
11 of doing so.

12 22. Ms. Katal and Ms. Hattenbach testified that Kayne Anderson's suit against
13 her was filed as a means to get Mr. Katal to pay the judgment against him, and both
14 stated that other parties in these lawsuits had acknowledged that fact.

15 23. Ms. Katal also testified to the effect that the Kayne Anderson suit involved
16 money that she received as part of the divorce settlement and that all she received in
17 that settlement were the "paychecks" she had earned over the years. She testified that
18 Kayne Anderson thought she had received in the divorce the amount of its judgment
19 against her, but it was actually less than that.

20 24. At the hearing, Ms. Katal requested an opportunity to show that as early
21 as 2005 she was no longer a member of the Trust, and the record was held open to
22 allow her to submit additional exhibits. Those exhibits show however that she was a
23 member of the Trust until June 2010.

24 25. According to Ms. Hattenbach, she was representing Ms. Katal and Mr.
25 Katal in the original dispute with IPS, and in 2010 she learned information that caused
26 her to believe Mr. Katal had committed fraud in that matter (i.e., the sale of Detection
27 Logic to IPS, which is not the same transaction for which the judgment against Ms.
28 Katal was entered). As such, she could no longer represent both of them and Ms. Katal

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30 ¹ Ms. Katal's Exhibit B shows that she and Kayne Anderson had reached a settlement, but payments
were not made according to the terms of that agreement and Kayne Anderson began to prepare for trial.

1 hired another lawyer, who represented Ms. Katal during the lawsuit brought against her
2 by Kayne Anderson.

3 26. Ms. Hattenbach testified as to her opinion that Ms. Katal did not commit a
4 fraudulent transfer and that Ms. Katal would not lie.

5 27. Ms. Hattenbach was of the opinion that Ms. Katal was not connected with
6 the Trust as of the time Detection Logic was sold.² But this is not consistent with
7 documents in the record showing that Ms. Katal was a trustee until 2010 and that the
8 sale of Detection Logic occurred in 2008. More importantly, Ms. Katal raised similar
9 arguments in a Motion to Dismiss the Kayne Anderson lawsuit and that Motion was
10 denied.

11 28. Ms. Currie testified to the effect that the default judgment operates as an
12 admission that the allegations in Kayne Anderson's complaint are true. Because Ms.
13 Katal was involved with the Trust, she was considered to be untrustworthy.

14 29. Ms. Katal acknowledged that under the law her default is an admission
15 that the allegations in Kayne Anderson's complaint are true, but she did not admit
16 liability then, and does not admit liability now. But she also testified that the outcome of
17 the lawsuit would have been uncertain if she had continued to defend and that she had
18 very strong defenses.

19 30. The fraudulent transfer is of concern to the Department because licensees
20 have access to clients' money, and in this case, the size of the judgment is also of
21 concern.

22 31. The Department denied Ms. Katal's application in large part because of
23 the judgment against her.

24 32. Ms. Katal testified that she is not a threat to the public and to the effect
25 that the default judgment is the only issue that might raise a concern.

26 CONCLUSIONS OF LAW

27 1. Ms. Katal bears the burden of persuasion. See ARIZ. REV. STAT. § 41-
28 1092.07(G)(1).

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30 ² Ms. Hattenbach acknowledged that her recollection of the events was not clear.

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3 Done this day, May 10, 2019.

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5 /s/ Thomas Shedden

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7 Thomas Shedden

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9 Administrative Law Judge

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11 Transmitted electronically to:

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13 Keith A. Schraad, Director

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15 Arizona Department of Insurance

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