

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.

ARNITA M. MUGG
2803 Nicholson St., Apt. 301
Hyattsville, Maryland 20782

*
*
*
*
*
*
*
*
*
*
*

BEFORE THE MARYLAND
INSURANCE COMMISSIONER

CASE NO. : MIA-2015-09-039

Fraud Division File No.: R-2015-1708A

ORDER

This Order is entered by the Maryland Insurance Administration (“MIA”) against Arnita M. Mugg (“Mugg” or “Respondent”) pursuant to §§2-108, 2-201, 2-204 and 2-405 of the Insurance Article, Md. Code Ann. (2011 Repl. Vol. & Supp.)(“the Insurance Article”).

I. Facts

1. Respondent had automobile insurance with Erie Insurance Group (“Erie”), an authorized insurer. The Erie policy number was [REDACTED] and was in effect from April 23, 2014 through April 23, 2015.

2. On April 29, 2014, Respondent reported to Erie that she was operating her insured vehicle when another vehicle backed into her, and as a result, she was injured. Erie opened a claim under the Personal Injury Protection (“PIP”) portion of Respondent’s policy that provides coverage for medical expenses and lost wages. Erie assigned claim number [REDACTED].

3. On May 5, 2014, in support of her claim, Respondent faxed to Erie an “Application for Benefits” form which stated that as a result of her injuries, she had been unable to work. She provided a “disability certificate” from a doctor with Maryland Physicians Associates, which stated Respondent was “totally incapacitated” from April 29, 2014 to May 4, 2014. Along with the faxed documents was a Wage and Salary Verification form from

Respondent's employer, Capital Hospice, stating Respondent made \$20.00 per hour and was absent from work April 29, 2014 through May 4, 2014, due to the accident.

4. Respondent sent the following additional disability certificates to Erie via facsimile, indicating:

- Certificate faxed on May 7, 2014 - "Return to work on: May 12, 2014"
- Certificate faxed on May 13, 2014 - "Return to work on: May 19, 2014"
- Certificate faxed on May 28, 2014 - "Return to work on: May 29, 2014"

Each certificate was purportedly from the same doctor with Maryland Physicians Associates.

5. Relying on Respondent's submission of the Disability Certificates submitted on May 5th, 7th, and 13th, 2014, Erie issued three checks to Respondent for lost wages, totaling \$1,496.00. Erie did not issue a check for the certificate sent to it on May 28, 2014, and instead contacted Maryland Physicians Associates to obtain medical records.

6. On June 27, 2014, Maryland Physicians Associates advised Erie that it only issued one disability certificate to Respondent, for the dates of April 29, 2014 to May 4, 2014, and it did not issue any other disability certificates.

7. On July 24, 2014, an Erie investigator went to Maryland Physicians Associates. An employee there advised the investigator that Respondent's last treatment date was April 29, 2014, and she was released to return to work on May 5, 2014.

8. Section 27-802(a)(1) of the Maryland Insurance Article states, "An authorized insurer, its employees, or insurance producers, who in good faith have cause to believe that insurance fraud has been or is being committed, shall report the suspected insurance fraud in writing to the Commissioner, the Fraud Division, or the appropriate federal, State or local law enforcement authorities." Erie, having a good faith belief that Respondent committed insurance fraud, referred the matter to the Maryland Insurance Administration, Fraud Division.

9. In the course of its investigation, MIA contacted Erie and confirmed its handling of Respondent's claim.

10. On March 3, 2015, an MIA investigator interviewed the vice president of human resources ("VP") for Capital Hospice. She advised that Capital Hospice did not complete the Wage and Salary Verification form for Respondent. Further, Respondent did not miss work from April 29, 2014 to May 29, 2014, and she was paid at her regular salary. The VP examined the Wage and Salary Verification form and noted numerous discrepancies. For example, the name of the human resources manager whose signature appears on the form was not an employee of Capital Hospice.

11. On August 31, 2015, an MIA investigator interviewed the office manager for Maryland Physicians Associates, where Respondent was treated. She reported that, according to their records, Respondent was seen at their facility on April 29, 2014, and placed on disability from April 29, 2014 through May 4, 2014. She confirmed that the disability certificates for May 7 through May 9, 2014, May 13 through May 16, 2014, as well as the one for May 23 through May 28, 2014 were fabricated.

II. Violation(s)

12. In addition to all relevant sections of the Insurance Article, the MIA relies on the following pertinent sections in finding that the Respondent violated Maryland's insurance laws:

13. **§27-403**

It is a fraudulent insurance act for a person:

(2) to present or cause to be presented to an insurer documentation or an oral or written statement made in support of a claim...with knowledge that the documentation or statement contains false or misleading information about a matter material to the claim.

14. **§27-408(c)**

(1) In addition to any criminal penalties that may be imposed under this section, on a showing by clear and convincing evidence that a violation of this subtitle has occurred, the Commissioner may:

(i) impose an administrative penalty not exceeding \$25,000 for each act of insurance fraud; and

(2) In determining the amount of an administrative penalty, the Commissioner shall consider:

(i) the nature, circumstances, extent, gravity, and number of violations;

(ii) the degree of culpability of the violator;

(iii) prior offenses and repeated violations of the violator; and

(iv) any other matter that the Commissioner considers appropriate and relevant.

15. By the conduct described herein, Arnita M. Mugg violated §27-403. As such, Respondent is subject to an administrative penalty under the Insurance Article §27-408(c).

III. Sanctions

16. Insurance fraud is a serious violation which harms consumers in that the losses suffered by insurance companies are passed on to consumers in the form of higher premiums. The Commissioner may investigate any complaint that alleges a fraudulent claim has been submitted to an insurer. Insurance Article §§2-201(d) (1) and 2-405.

17. Respondent violated §27-403 when she submitted false documents to her insurer in support of her lost wages claim. Having considered the factors set forth in §27-408(c)(2) and COMAR 31.02.04.02, MIA has determined that \$6,000.00 is an appropriate penalty.

18. Additionally, Respondent is ordered to reimburse Erie \$1,496.00, the amount she obtained from Erie.

19. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2015-1708A) and name (Arnita M. Mugg). Unpaid penalties will be referred to the Central Collections Unit for collection.

Payment of the administrative penalty shall be sent to the attention of: Associate Commissioner, Insurance Fraud Division, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202.

20. Notification of reimbursement to Erie shall be made in writing to the Associate Commissioner, Insurance Fraud Division, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202. Such notification shall be submitted within 30 days, and include a copy of the money order or cancelled check issued to Erie as proof of reimbursement and identify the case by number (R-2015-1708A) and name (Arnita M. Mugg).

21. This Order does not preclude any potential or pending action by any other person, entity or government authority, regarding any conduct by the Respondent including the conduct that is the subject of this Order.

WHEREFORE, for the reasons set forth above, and subject to the right to request a hearing, it is this 24th day of September 2015, **ORDERED** that:

(1) Arnita M. Mugg pay an administrative penalty of \$6,000.00 within 30 days of the date of this Order.

(2) Arnita M. Mugg pay restitution to Erie Insurance Company in the amount of \$1,496.00 within 30 days of the date of this Order.

ALFRED W. REDMER, JR.
Insurance Commissioner

BY:

signature on original

CAROLYN HENNEMAN
Associate Commissioner
Insurance Fraud Division

RIGHT TO REQUEST A HEARING

Pursuant to §2-210 of the Insurance Article and Code of Maryland Regulations (“COMAR”) 31.02.01.03, an aggrieved person may request a hearing on this Order. This request must be in writing and received by the Commissioner within thirty (30) days of the date of the letter accompanying this Order. However, pursuant to §2-212 of the Article, the Order shall be stayed pending a hearing only if a demand for hearing is received by the Commissioner within ten (10) days after the Order is issued. The written request for hearing must be addressed to the Maryland Insurance Administration, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202, Attn: Hearings and Appeals Coordinator. The request shall include the following information: (1) the action or non-action of the Commissioner causing the person requesting the hearing to be aggrieved; (2) the facts related to the incident or incidents about which the person requests the Commissioner to act or not act; and (3) the ultimate relief requested. The failure to request a hearing timely or to appear at a scheduled hearing will result in a waiver of your rights to contest this Order and the Order shall be final on its effective date. Please note that if a hearing is requested on this initial Order, the Commissioner may affirm, modify, or nullify an action taken or impose any penalty or remedy authorized by the Insurance Article against the Respondent in a Final Order after hearing.