

BEFORE THE MARYLAND INSURANCE COMMISSIONER

MARYLAND INSURANCE
ADMINISTRATION

*
*

v.

TIMOTHY LANDRETH

* **CASE No.: MIA-2013-09-018**
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CONSENT ORDER

The Maryland Insurance Commissioner (“Commissioner”) enters this Consent Order (“Order”), with the consent of Timothy Landreth (“Respondent”), pursuant to Md. Ann. Code, Insurance (“Insurance Article”), §§ 2-108, 2-204, and any other applicable sections, as follows:

EXPLANATORY STATEMENT AND FINDINGS OF FACT

1. The Administration issued an Order against Respondent on September 13, 2013. In the Order, Respondent was charged with violating § 27-403(2) of the Insurance Article. An administrative penalty in the amount of \$15,000.00 was assessed.
2. Respondent requested a hearing to contest the amount of the administrative penalty.
3. On March 10, 2014, the Administration filed an unopposed Motion for Partial Summary Decision.
4. By order dated March 25, 2014, the Commissioner granted the Administration’s Motion.
5. The facts and violations stated in the Order are incorporated herein by reference.
6. The parties agree to this Consent Order to avoid litigation regarding the amount of the administrative penalty. Specifically, Respondent has paid an administrative penalty in the amount of \$7,500.00, which payment the Commissioner has accepted by executing this Consent Order.

WHEREFORE, for the reasons set forth above, it is this 28 day of April, 2014, **ORDERED** by the Commissioner and consented to by Respondent that:

- A. Receipt of the \$7,500 administrative penalty paid by Respondent is hereby acknowledged.
- B. Respondent waives any and all rights to any hearing or judicial review of this Consent Order to which he would otherwise be entitled under the Maryland Annotated Code.
- C. Respondent has reviewed this Consent Order and has had the opportunity to have it reviewed by legal counsel of his choice. Respondent is aware of the benefits gained and obligations incurred by the execution of the Consent Order. After careful consideration, Respondent executes this Consent Order knowingly and voluntarily.
- D. For the purposes of the Administration and for any subsequent administrative or civil proceedings concerning Respondent, whether related or unrelated to the foregoing paragraphs, and with regard to requests for information about the Respondent made under the Maryland Public Information Act, or properly made by governmental agencies, this Consent Order will be kept and maintained in the regular course of business by the Administration. For the purposes of the business of the Administration, the records and publications of the Administration will reflect this Consent Order.
- E. This Consent Order shall be effective upon signing by the Commissioner or her designee.

- F. This Consent Order does not preclude any potential action by the Administration, any other person, entity, or governmental authority regarding any conduct by Respondent, including the conduct that is the subject of this Consent Order.
- G. This Order contains the **ENTIRE AGREEMENT** between the parties relating to the administrative actions addressed herein. Except as stated in paragraph 4 of this Order, this Consent Order supersedes the Order dated September 13, 2013 and any prior agreements or negotiations, whether oral or written, except as specifically incorporated herein. No time frames set forth herein may be amended or modified without subsequent written agreement of the parties.

THERESE M. GOLDSMITH
INSURANCE COMMISSIONER

Signature on Original

By:

Carolyn Henneman
Associate Commissioner
Fraud Division

TIMOTHY LANDRETH'S CONSENT

Timothy Landreth hereby CONSENTS to the representations made in, and terms of, this Consent Order.

Signature on Original

Date

4/23/14

TIMOTHY LANDRETH

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.

Timothy Landreth
200 Glenville Road
Churchville, Md. 21028

* BEFORE THE STATE OF MARYLAND
*
* INSURANCE ADMINISTRATION
*
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* CASE NO. : MIA- 2013-09 - 018
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* Fraud Division File No.: R-13-0031A
*

ORDER

Whereas, this Order (“the Order”) is entered into by the Maryland Insurance Administration (“MIA”) against Timothy Landreth (referred to as the “Respondent”) pursuant to §§ 2-108, 2-204 and 2-405 of the Insurance Article, Maryland Annotated Code.

As basis for this action, the Maryland Insurance Administration (“MIA”) states that:

I. Facts

1. Title 27, Subtitle 4 of the Insurance Article contains the specifications of what constitute “fraudulent insurance acts” and the penalties therefor. Specifically, §27-403(2) provides that it is a fraudulent insurance act for a person “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.” Section 27-408(c) provides that, with respect to violations of said Subtitle, the Commissioner may, *inter alia*, impose an administrative penalty not exceeding \$25,000.00 for each act of insurance fraud and order restitution to an insurer.

2. On 1/25/11, a homeowner’s policy was issued by United Services Automobile Association (hereinafter “USAA”), an insurer, to Rebecca L. Landreth and Timothy B. Landreth

for their residence of 200 Glenville Road, Churchville, Maryland 21028. The policy number was

██████████ The period of coverage was 01/25/11 to 01/25/12.

3. The "Loss Settlement" provision of the above referenced policy stipulated, "We will pay no more than *actual cash value* until repair or replacement of the damaged property is complete."

4. On 2/24/11, the aforementioned insured home caught fire. Subsequently, Rebecca and Timothy Landreth filed an insurance claim with USAA. The assigned claim number was 8636203.

5. USAA Claim Agent A.P. was assigned to handle the personal property portion of the claim.

6. On 4/26/11, C.D., a USAA representative sent a letter to Rebecca Landreth, at the Churchville residence, which explained recoverable depreciation, regarding the above cited claim.

The letter read as follows:

Our current investigation is complete. A beneficial portion of your policy is the Loss Settlement Provision which provides for covered property losses to be settled at the actual incurred repair or replacement cost without deduction for depreciation. When the Dwelling claim exceeds \$5,000 the policy will pay no more than the actual cash value until repair/replacement is complete.

*After the repair/replacement is completed, we'll consider and calculate your recoverable depreciation as **the lesser of** the amount that was necessary to repair/replace the damaged property **or** the amount you actually spent, minus your deductible and any amount already paid for the damage to property. The maximum recoverable amount of depreciation is \$11,309.67. We will not consider any repairs greater than our original estimate for the cost of repair/replacement costs unless you give us notice that your repair/replacement are greater than ours, and we approve your cost before you have the repair/replacement completed.*

To receive any recoverable depreciation, you must complete the actual repair or replace the damaged property within one year after the date of loss, or by February 24, 2012. During this period, you can request in writing that this time limit be extended for an additional 180 days.

7. On 12/2/11, Timothy Landreth sent a fax of alleged expenditures to A.P. The sender fax number was (410) 838-4238. The fax cover page read, "Receipts for recoverable depreciation." The receipts stated as follows:

- HH Gregg, date 8/30/11, for mattresses and pillows, total cost \$13,345.40.
- HH Gregg, dated 9/15/11, for Satellite receiver, multifunction remote and surge protector, total cost \$797.12
- HH Gregg, dated 11/14/11, for single room humidifier, total cost \$133.56
- JC Penney, dated 10/19/11, for drapes blinds, blanket, sheers, bedding, towels, and vacuum. Noted on receipt is that the customer took all items. Total cost \$4,345.26.
- Calico Corners, with a handwritten date of 11/23/11, for Shaped Cornice A, pinched pleated drapes, custom valance. Subtotal was \$4,787.06. Handwritten on this receipt was "Paid in full 11/23/11 Visa ending in 7777, total cost was \$10,144.12.
- Elite Interiors, with a handwritten date of 10/15/11, for various furnishings, including a roll top desk, shelf unit and clock. Total cost \$9,947.00.

8. On 1/30/12, A.P. noted that the figures on the Calico Corners receipt did not correctly total. A.P. contacted a representative of Calico Corners who advised that the only invoice after the date of loss, 2/24/11, was for "\$988.91" for pinch pleat draperies.

9. On 1/30/12, A.P. noted in the USAA claim log, "inconsistency" with the Calico Corners receipt submitted by Timothy Landreth.

10. On 3/26/12, A.P.'s claim notes reflect that she received a call from a JC Penny associate who advised that JC Penny had no Landreth receipts for a \$4,345.26 purchase; however, the JC Penny associate provided A.P. with a copy of an invoice for \$1,287.26, for a purchase made by Rebecca Landreth on 7/22/11.

11. On 3/26/12, A.P. conducted a recorded interview of Timothy Landreth. During the interview, A.P. specifically asked whether the items on the HH Gregg receipts had been replaced to which Timothy Landreth responded, "Yeah..." Likewise, A.P. asked whether the items listed on the JC Penny receipt for \$4,345.26 had been replaced to which Timothy Landreth responded, "Yeah..." Additionally, A.P. questioned Landreth about the Calico Corners receipt for

\$10,144.12 as to which Timothy Landreth affirmed that those items had been replaced. A.P. also questioned him about the receipt from Elite Interiors, as to which Landreth stated that those were items damaged in the sitting room. Finally, A.P. informed Timothy Landreth of concerns she had with the receipts, after speaking with retailers where the purchases were allegedly made. Timothy Landreth indicated that he was going to check with his wife. A.P. stated, "...if there are revised invoices that we need then send those over to us if these were just estimates." A.P. further specifically requested that Landreth send USAA actual invoices for cost incurred. To date, Landreth has not provided A. P. with any documents responsive to her request.

12. On 3/26/12, A.P. made a referral to the USAA Special Investigations Unit ("SIU") based upon the fact that the receipts submitted appeared to have been altered.

13. J.W. was the assigned SIU Investigator for USAA.

14. On 4/18/12, J.W. spoke with an employee at HH Gregg, who reported that she was unable to find corresponding sales transactions for the receipts dated 8/30/11, 9/15/11 and 11/14/11.

15. On 5/7/12, J.W. spoke with J.A., General Manager, Elite Interiors, who confirmed that the invoice submitted by Timothy Landreth was falsified. Further, J.A. reported that the roll top desk, shelf unit and clock listed on the Elite Interiors receipt furnished by Timothy Landreth were not Elite Interiors' merchandise.

16. On 6/28/12, R.L'E., an SIU Case Manager at USAA, conducted a recorded interview of Timothy Landreth. A summary of the recording is provided as follows. Landreth confirmed that he submitted the Calico Corners, JC Penny, Elite Interiors and HH Gregg receipts to USAA in support of recoverable depreciation. He acknowledged that he wrote "\$10,144.12 paid in full on 11/23/11" at the bottom of the Calico Corners receipt. He admitted that he did not actually replace the items listed but that he was trying to "expedite and just cover the

depreciation.” Landreth explained that the receipts represented property he lost not what he replaced. R.L’E. reminded Landreth that the issue was not over his past ownership but that he falsely represented that he had replaced the items. Landreth expressed a desire to withdraw the recoverable depreciation portion of his claim.

17. On 6/28/12, A.P. sent an email to R.L’E. informing him that by submitting the altered receipts, the insured (Timothy Landreth) was seeking a total of \$17,694.85 in recoverable depreciation and supplemental payments under the Unscheduled Personal Property coverage of his USAA policy.

18. Section 27-802(a)(1) states, “An authorized insurer, its employees, producers...or agents, 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.” R.L’E., therefore, having a good faith belief that insurance fraud had been committed, referred the file to the Maryland Insurance Administration Fraud Division (“MIA Fraud Division”) where it was assigned to Assistant Chief Investigator Joseph Smith.

19. On 6/17/13, Smith emailed B.B., Supervisor for Calico Corners, to inquire about the validity of the receipt furnished to USAA by Timothy Landreth. A copy of the receipt in question for alleged purchases made by Rebecca Landreth was forwarded as an attachment. In response, B.B. contacted Smith via telephone and reported the following:

- The receipt reflected purchases made by Rebecca Landreth on 10/21/06 not in 2011.
- The 10/21/06 purchases totaled \$4,787.06 which is the subtotal on the receipt.
- On 11/23/11, Rebecca Landreth made one purchase for a total of \$988.91 for one pair of curtains.

20. On 6/17/13, Smith emailed J.A., General Manager for Elite Interiors. A copy of the receipt was sent as an attachment. On 6/19/13, J.A. contacted Smith via telephone and reported the following:

- The receipt is an Elite Interiors receipt in appearance.
- The receipt is **NOT** consistent with Elite Interiors' record of purchases made by Rebecca Landreth.
- Some items noted on the receipt were purchases made by Rebecca Landreth in November 2006. Those items included:
 - Item # 376-27 Swivel Chair
 - Item # 395-29 Cloverleaf Ottoman
 - Item # P703 Plant Sand
 - Item # 1382 Oval End Table
- Other items noted on the receipt, including the Roll Top Desk, Shelf Unit and Smart Clock were **NOT** purchases made at Elite Interiors, since it does not carry such merchandise.
- The date, 10/15/11 which is written on the receipt is **NOT** consistent with the customer's transaction for purchases made at Elite Interiors.

21. On 6/18/13, Smith emailed E.M. at HH Gregg, requesting that she validate the HH Gregg receipts. Copies of the receipts were sent as an attachment. E.M. advised they were not receipts but were quotes for products and that she does not have any orders that were typed up for those quotes in her department. E.M further reported that she looked through the few tickets in their system of purchases made by Timothy Landreth and there was nothing even close to those amounts on the quotes, adding that most of his purchases were made through a store in Baltimore. Further, on 6/27/13, E.M reported that the only invoices for a Rebecca Landreth were typed in Florida in 2010.

22. On 6/19/13, Timothy Landreth provided a statement to Smith via telephone. Landreth reported that he submitted old receipts for items he had previously purchased in order to recover the depreciation. He reported that he could not afford to replace the items minus the depreciation. Landreth advised that he was trying to replace items that needed to be replaced and went about it the "wrong" way. Landreth advised that fax # (410) 838-4238 was not familiar to

him but that he faxed the receipts from his home, located in Churchville, Maryland and that (410) 838-4238 may have been a number programmed into the fax machine.

23. On 6/25/13, Landreth provided a follow up statement to Smith via telephone. Landreth reported that he used quotes to indicate that purchases were made, trying to get depreciation. Regarding the HH Gregg receipts, he advised that he was a Commercial Sales Representative for HH Gregg and that the receipts were quotes that he created. Specific to the Calico Corners receipt, Timothy Landreth confessed that he wrote "paid" on the document to indicate that he paid for the items. On the Elite Interiors receipt, Timothy Landreth admitted that he modified an old receipt. Landreth specifically recalled adding a clock and roll top desk to the receipt, which he admitted were not purchased from Elite Interiors. He reported that the desk was an antique. With respect to the JC Penny's receipt, Landreth admitted to altering it, and to putting all the merchandise on the one altered receipt. He added that he also made the notation on the receipt indicating that the purchases were complete, "Customer took all items," and "Paid visa ending in..." Timothy Landreth added that he "can't get around" what he did and he feels "awful."

II. Violation(s)

In addition to all relevant sections of the Insurance Article, the Administration relies on the following pertinent sections in finding that Timothy Landreth violated Maryland's insurance laws:

24. **§ 27-403(2)**

It is a fraudulent act for a person:

(2) to present or cause to be presented to 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.

25. § 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

(ii) order restitution to an insurer or self-insured employer of any insurance proceeds paid relating to a fraudulent insurance claim.

(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.

26. By the conduct described herein, Timothy Landreth knowingly violated § 27-403(2). As such, Timothy Landreth is subject to administrative penalty under the Insurance Article § 27-408(c).

III. Sanctions

27. By the facts and violations stated above, Timothy Landreth is subject to imposition of an administrative penalty.

28. In view of the repetitive and duplicitous nature of Timothy Landreth's conduct, in which he fabricated sales receipts for financial gain, and made multiple false entries on said fabricated receipts, an administrative sanction of \$15,000.00 is an appropriate penalty in this case.

29. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-13-0031A) and name (Timothy Landreth). 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.

30. 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 13th day of September 2013, **ORDERED** that:

(1) Timothy Landreth pay an administrative penalty of \$15,000.00 within 30 days of the date of this Order.

THERESE M. GOLDSMITH
Insurance Commissioner
Signature on Original

BY:

CAROLYN HENNEMAN
Associate Commissioner
Insurance Fraud Division

RIGHT TO REQUEST A HEARING

Pursuant to § 2-210 of the Insurance Article and COMAR 31.02.01.03, a person aggrieved by this Order may request a hearing on this Order. This request must be in writing and be received by the Commissioner within thirty (30) days of the date of the letter accompanying this Order.

Pursuant to §2-212 of the Insurance 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 request for hearing must be made in writing. This request must be addressed to the Maryland Insurance Administration, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202, ATTN: Sharon Kraus, Appeals Clerk. 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 made final on its effective date.