

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

* BEFORE THE MARYLAND
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* INSURANCE COMMISSIONER
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v.

KENNETH P. BAUER
1106 Castle Harbour Way, Unit 1B
Glen Burnie, Maryland 21060

* CASE NO. MIA-2014-03-013
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* Fraud Division File No. R-2014-1488A
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ORDER

This Order is entered by the Maryland Insurance Administration (“MIA”) against Kenneth P. Bauer (“Bauer” or “Respondent”) pursuant to §§ 2-108, 2-201, 2-204 and 2-405 of the Annotated Code of Maryland, Insurance (“the Insurance Article”).

I. Facts

1. 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 that a fraudulent claim has been submitted to an insurer. §§ 2-201(d)(1) and 2-405(7).

2. Title 27, Subtitle 4 of the Insurance Article describes “fraudulent insurance acts” and the penalties therefor.

3. On September 25, 2013 at about 5:45 p.m., a vehicle driven by a GEICO insured individual backed into Bauer’s parked vehicle. The collision happened in front of Ann’s Dari-Creme restaurant, located at 7918 Ritchie Hwy., Glen Burnie, Maryland.

4. At the time of the accident, Bauer had a State Farm auto policy (number [REDACTED]), which was in effect from April 19, 2013 to December 20, 2013.

5. On September 26, 2013, Bauer made a Personal Injury Protection (PIP) claim under his State Farm automobile policy. Claim number 20-3D69-340 was assigned. Bauer reported to

State Farm that on September 25, 2013, he, his girlfriend, and his girlfriend's son were seated in his vehicle when the GEICO insured person backed her vehicle into his vehicle.

6. On September 26, 2013, Bauer submitted medical bills to State Farm, via facsimile, related to treatment for alleged injuries to his back, shoulder and knee as a result of the September 25, 2013 accident.

7. On October 21, 2013, Bauer submitted documentation to State Farm claiming \$1,200.00 in lost wages as a result of the September 25, 2013 accident.

8. On October 22, 2013, a State Farm claims adjuster issued a draft to Bauer for his lost wage claim in the amount of \$1,020.00. Under the terms of the policy, lost wages are reimbursed at a rate of 85 percent.

9. On October 24, 2013, State Farm's Special Investigation Unit (SIU) received an investigative referral from the claims adjuster based on a telephone call a State Farm agent received from a person who reported that Bauer was not in the vehicle at the time of the September 25, 2013 accident.

10. On October 28, 2013, the GEICO insured reported to a State Farm SIU investigator that at the time of accident Bauer's vehicle was only occupied by an adult female and a boy under 18 years old. The GEICO insured specified that after the accident the female occupant exited the vehicle, said she would get the vehicle's owner, and ran into Ann's restaurant. The female returned with Bauer, and the parties exchanged insurance information.

11. On November 1, 2013, State Farm requested that Bauer submit to an Examination Under Oath (EUO), related to his involvement in the September 25, 2013 accident, due to conflicting information regarding whether Bauer was in his vehicle at the time of the collision.

12. On November 4, 2013, Bauer withdrew his Personal Injury Protection (PIP) claim.

13. Section 27-802(a)(1) of the Insurance Article states, "An authorized insurer, its employees, producers...or agents, who in good faith have cause to believe that an 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." Having a good faith belief that insurance fraud had been committed, the State Farm investigator referred the file to the Maryland Insurance Administration Fraud Division.

14. On January 10, 2014, Bauer told the MIA that he sent the documents in support of his lost wage claim to State Farm by facsimile transmission from the Office Depot store located at 20 Mountain Road, Pasadena, Maryland.

15. He also told the MIA that he received a draft from State Farm Insurance in the amount of \$1,020.00, but that he destroyed the check at the direction of a State Farm representative, as the draft had been voided.

16. The check, however, was cashed on October 31, 2013 at Charlie Ward's Check Cashing, a check cashing establishment located at 4607 4th Street, Brooklyn, Maryland. Charlie Ward's Check Cashing is less than nine miles away from Bauer's residence. The draft bears a signature reading "Kenneth Bauer" and is consistent with the signature on the fax transmission form signed by Bauer, which he confirmed to the MIA that Bauer had sent on October 21, 2013.

17. On January 10, 2014, during an interview with the MIA, Bauer admitted that he was not in his vehicle during the accident on September 25, 2013. Bauer confirmed that he was actually inside of Ann's restaurant when the accident occurred.

18. Subsequent to Bauer's November 4, 2013 withdrawal of his claim for the September 26, 2013 accident, Bauer again reported to State Farm that he was involved in another accident, which allegedly occurred on December 10, 2013.

19. On December 12, 2013, Bauer reported to State Farm that on December 10, 2013, he was driving his vehicle when it was struck by an unknown vehicle while he was waiting for food at the Taco Bell restaurant located at 6656 Ritchie Highway, Glen Burnie, Maryland. State Farm assigned claim number 20-3N06-978.

20. Bauer claimed injury to his head, shoulder, knees and lower back as a result of the December 10, 2013 accident.

21. On December 17, 2013, Bauer faxed documents to support a lost wages claim to State Farm claiming \$800 in lost wages as a result of the December 10, 2013 accident.

22. State Farm's investigation revealed that Bauer was not involved in an automobile accident on December 10, 2013. Witness interviews and a review of video of the location confirmed this. State Farm did not pay the claim and made another fraud referral to the MIA. On February 24, 2014, the MIA again interviewed Bauer, this time regarding his alleged December 10, 2013 accident. Bauer was presented with the following documents, "Self-Employed Worksheet (Schedule C)," "State Farm Wage and Salary Verification," and a "Copy & Print Fax Transmission." Two of the documents bore Bauer's signature, which he confirmed signing.

23. On December 17, 2013, Bauer faxed the aforementioned documents in support of his claim of lost wages to State Farm from an Office Depot store located at 20 Mountain Road, Pasadena, Maryland. The documents were in support of his December 12, 2013 claim. Bauer reported that he was home at 1106 Castle Harbour Way, Glen Burnie, Maryland when a State Farm claims representative took a recorded statement from him regarding the alleged loss on December 10, 2013. In that statement, Bauer told the State Farm claims representative that he was involved in the accident. However, Bauer admitted to MIA that the accident did not in fact occur.

II. Violation(s)

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

24. **Section § 27-403(2)**

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.

25. **Section § 27-408(c)**

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.

26. By the conduct described herein, Bauer violated § 27-403(2).

III. Sanctions

27. By the facts and violations stated above, Bauer is subject to imposition of an administrative penalty under the Insurance Article.

28. Bauer made false statements to State Farm in connection with two separate incidents. During the first incident, Bauer alleged he was an occupant of a vehicle involved in an accident on September, 2013. During the second event, Bauer claimed to suffer injury as the driver of a vehicle involved in an accident on December 2013 – when in fact this accident was a fabrication.

29. Bauer presented false wage documentation and medical bills to support his claims. Both the lost wage claims and the medical claim were fraudulent, as he was not an occupant of the

impacted vehicle for the first claim and not even being involved in an accident during the second episode.

30. Having considered the factors set forth in § 27-408(c)(2), an administrative sanction of \$5,000.00 is an appropriate penalty.

31. Additionally, Kenneth P. Bauer is ordered to reimburse State Farm Insurance Company in the amount of \$1,020.00 which is the amount he fraudulently obtained from State Farm Insurance Company when he submitted falsified wage loss documentation in support of his fraudulent reported loss of September 25, 2013.

32. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2014-1488A) and name (Kenneth P. Bauer). Unpaid penalties will be referred to the Central Collections Unit. 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.

33. Notification of reimbursement to State Farm Insurance Company shall be made in writing to the Associate Commissioner, Insurance Fraud Division, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202. Such notification shall include a copy of the money order or cancelled check issued to State Farm Insurance Company as proof of reimbursement and identify the case by number R-2014-1488A and name Kenneth P. Bauer.

34. This Order does not preclude any potential or pending action by any other person, entity or government authority, regarding any conduct by Bauer 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 18th day of March 2014, **ORDERED** that:

- (1) Kenneth P. Bauer shall pay an administrative penalty of \$5,000.00 within 30 days of the date of this Order.
- (2) Kenneth P. Bauer shall pay restitution to State Farm Insurance Company in the amount of \$1,020.00 within 30 days of the date of this Order.

THERESE M. GOLDSMITH
Insurance Commissioner

Signature on original

BY:

CAROLYNN 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: Sharon Kraus, Appeals Clerk. 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 Bauer in a Final Order after hearing.