

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.

ALFRED BROWN
10800 Golf Course Terrace
Bowie, Maryland 20785-4428

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BEFORE THE MARYLAND
INSURANCE COMMISSIONER

CASE NO. MIA- 2014 -05 -006
Fraud Division File No. R-2014-2200A

ORDER

This Order is entered by the Maryland Insurance Administration (“MIA”) against Alfred Brown (“Brown” 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. Insurance Article § 2-201(d) (1) and § 2-405.

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

3. Brown was insured by State Farm Fire and Casualty Company (“State Farm”), an authorized insurer, under a renter’s policy which was in effect from March 9, 2012 through October 4, 2012. The insurance policy was cancelled for non-payment of premium on the latter date.

4. On July 2, 2012, Brown discovered his residence had been burglarized. The Prince George's County Police wrote a police report. This report listed the total value of stolen items at \$3,100.00 based on Brown's reporting.

5. On July 10, 2012, Brown reported the burglary to State Farm. During his statement, Brown added and reported stolen items not originally reflected on the police report completed the previous week. Over the course of the next few months, Brown continued to add items to the list of property allegedly stolen during the burglary. By December 2012, his \$3,100.00 claim had grown to over \$50,000.00.

6. On January 2, 2013, State Farm took a recorded statement at Brown's residence located at 5487 Marlene Drive, Lanham, Maryland. During this interview, Brown stated that his girlfriend purchased "Human Virgin Hair" and claimed this item was stolen during the burglary. This type of hair is commonly used to make wigs.

7. On January 18, 2013, State Farm sent Brown a letter advising him that property owned by his girlfriend was not covered by his renter's insurance policy. On May 21, 2013 during a telephone conversation, State Farm again reminded Brown that his girlfriend's property was not covered under his policy.

8. On August 14, 2013, counsel for State Farm conducted an Examination Under Oath (EUO) of Brown in Bethesda, Maryland. During the EUO, Brown contradicted his earlier assertion that his girlfriend purchased the hair and now reported that it was he who made the purchase on June 29, 2012 (a few days before the burglary).

9. On November 27, 2013, Brown completed and submitted to State Farm a "Personal Property Inventory – Customer Worksheet" (PPI), documenting property he claimed had been taken in the July 2, 2012 burglary. This form had been mailed to Brown several

months earlier. Although he had not listed the hair as stolen on the police report prepared on July 2, 2012, he did record it on the PPI and attached a copy of a purported receipt in support. He wrote on the PPI that he purchased the hair on June 29, 2012, at a cost of \$8,440.00. This is the same date of purchase Brown testified to at the Examination Under Oath in August, 2013.

10. Although the date of the receipt he submitted had been obliterated, the receipt number (5545) and the name of the vendor, "Angeles Dominican Hair Salon," were legible, as was the price of \$8,440.00.

11. State Farm's investigation discovered that original receipt #5545 from the hair salon was actually dated October 29, 2012 – nearly four months after the date of the burglary on July 2, 2012.

12. On January 9, 2014, State Farm sent Brown a letter denying his renter's insurance claim for material misrepresentation in violation of the concealment or fraud provision of his insurance policy.

13. Section 27-802(a)(1) of the Insurance Article states, "An authorized insurer, its employees, ...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." Having a good faith belief that insurance fraud had been committed by Brown, the State Farm investigator referred the file to the MIA.

14. On February 12, 2014, the MIA interviewed the State Farm investigator and confirmed the insurer's handling of the claim as set forth above.

15. On February 26, 2014, the Fraud Investigator went to Angeles Dominican Hair Salon in Fort Washington, Maryland and interviewed the owner. The Fraud Investigator showed

the owner the copy of receipt #5545 which Brown had provided to State Farm as proof of his alleged June 29, 2012 purchase, on which the date had been obliterated. The owner went to her business records and confirmed that receipt #5545 was for the purchase of hair in the amount of \$8,440.00. However, the actual purchase date was October 29, 2012, not June 29, 2012 as reported by Brown. In fact, the purchase was made after Brown's July 2, 2012 reported burglary and subsequent policy cancellation on October 4, 2012 for non-payment of premium.

16. The MIA called two different telephone numbers supplied by Brown to State Farm as contact numbers, multiple times over a two week period, in an attempt to interview him. The MIA additionally called a third telephone number, identified in public data bases as being associated with Brown's residence. Also, the MIA visited Brown's residence and left business cards requesting a call back, but all efforts were unsuccessful in eliciting a return contact.

17. The fact that Brown attached an obfuscated October receipt to a November PPI does not change the fact that the loss for which he was seeking compensation allegedly occurred four months before. Thus, by definition, this purchase in October does not reflect ownership of the hair at the time of the July 2nd loss.

II. Violation(s)

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

18. § 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.

19. § 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.

20. By the conduct described herein, Alfred Brown violated § 27-403(2).

III. Sanctions

21. By the facts and violation stated above, Respondent is subject to imposition of an administrative penalty under § 27-408(c).

22. He falsely told the insurer his girlfriend purchased the item, until he learned that she was not covered under his insurance. Subsequently, Brown told State Farm, during an examination under oath, that he purchased the claimed item before the date of loss. In fact, evidence disclosed that the hair was purchased after the alleged burglary and following the cancellation of his policy. Therefore, it could not have been part of his July 2, 2012 loss.

23. In an effort to seek compensation, Respondent presented State Farm with an altered copy of the receipt for "Virgin Human Hair" on which the true date of purchase was obfuscated. Brown purchased the claimed hair product well after the date of the burglary. Therefore, \$4,500.00 is an appropriate penalty.

24. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number R-2014-2200A and name Alfred Brown. 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.

25. 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 that which 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 6th day of May 2014, **ORDERED** that:

(1) Alfred Brown pay an administrative penalty of \$4,500.00 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 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: 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 the Respondent in a Final Order after hearing.