

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.

CRYSTAL GHOLSON
149 Collins Ave.
Baltimore, Maryland 21229

*
*
*
*
*
*
*
*
*
*
*
*

BEFORE THE MARYLAND
INSURANCE COMMISSIONER

CASE NO. : MIA-2015 - 08 - 004

Fraud Division File No.: R-2015-1804A

ORDER

This Order is entered by the Maryland Insurance Administration (“MIA”) against Crystal Gholson (“Gholson” 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. Gholson had a renter’s insurance policy with Liberty Mutual Insurance Company (“Liberty Mutual”), an authorized insurer, for her residence located in Baltimore, Maryland 21229. The policy was in effect from July 14, 2014, through July 14, 2015. The policy number was [REDACTED]

2. On October 21, 2014, Respondent notified Liberty Mutual that on October 20, 2014, three men broke into her home and stole various personal items. Liberty Mutual assigned claim number 030822450.

3. On November 4, 2014, in support of her claim, Respondent faxed to Liberty Mutual several receipts. Four of the receipts were for purchases made at *Saks Fifth Avenue*® via Saks.com (“Saks”). Respondent’s name appeared on each Saks receipt, which reflected the following purchases:

- Order #69254215
 - Gucci® Regents Leather Frame Driving Loafers \$640.00.
 - Tod's® G-Line Coated Canvas Sacca Piccola Tote \$700.00.
 - Yves Saint Laurent® L'Homme Eau de Toilette \$85.00.
 - Christian Louboutin® So Kate Patent Leather Pumps \$625.00.
 - Christian Louboutin So Kate 120 Suede Pumps \$625.00.
- Order #73254215
 - Gucci Brooklyn GG Lace-Up Sneakers \$465.00.
- Order #54885380
 - Christian Louboutin Iriza 100 Suede D'Orsay \$625.00.
- Order #77045280
 - Sophie Hulme® Metal Tab Shoulder Bag \$795.00.

4. On November 7, 2014, Liberty Mutual referred Respondent's claim to its Special Investigations Unit ("SIU"), due to the high value of the items claimed, and the recent binding of the policy.

5. On December 4, 2014, a Liberty Mutual SIU investigator contacted a Saks customer service agent, who reviewed the receipts. The agent determined that the receipts were altered and not related to purchases made by Respondent.

6. On December 9, 2014, Liberty Mutual sent Respondent a letter denying her claim for material misrepresentation.

7. 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." Liberty Mutual, having a good faith belief that Respondent committed insurance fraud, referred the matter to the Maryland Insurance Administration, Fraud Division.

8. In the course of its investigation, MIA contacted Liberty Mutual, and confirmed its handling of Respondent's claim.

9. MIA contacted Saks, Corporate Asset Protection, and provided it with copies of the Saks receipts submitted to Liberty Mutual by Respondent. The Manager of External Investigations advised that order number 77045280 was not a valid number and not in the correct sequence of order numbers for the time period. Order numbers 54885380 and 69254215 were not valid order numbers for the period reflected on those receipts. Additionally, the manager provided a sales transaction report for order number 73254215, and although a valid transaction, it was not associated with a purchase made in Respondent's name. The actual order was placed on August 26, 2014; the receipt submitted by Respondent reflects an order date of July 17, 2014.

II. Violation(s)

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

11. §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.

12. §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.

13. By the conduct described herein, Respondent knowingly violated §27-403. Because the fraudulent insurance act of submitting a false document in support of a claim is complete upon submission of the false document and is not dependent on payment being made, by an insurer, Gholson committed several violations of the law when she submitted false receipts to Liberty Mutual. As such, Respondent is subject to an administrative penalty under the Insurance Article §27-408(c).

III. Sanctions

14. 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.

15. By the conduct described herein, Respondent violated §27-403 and is subject to the imposition of an administrative penalty under the Insurance Article.

16. 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.

17. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2015-1804A) and name (Crystal Gholson). 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.

18. 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 5th day of August 2015, **ORDERED** that:

(1) Crystal Gholson pay an administrative penalty of \$6,000.00 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.