

**IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION**

v.

**PINCH, LLC
1104 Taft St.
Rockville, Maryland 20850**

and

**JAMES P. EXON
1104 Taft St.
Rockville, Maryland 20850**

CASE NO. MIA- 2023-03-029

CASE NO. MIA-2023-03-030

Fraud Division File No. R-2023-1700A

ORDER

This Order is issued by the Maryland Insurance Administration (the “MIA”) against James Exon ("Exon") and Pinch, LLC (“Pinch”) (collectively "Respondents") pursuant to Md. Code Ann., Ins. Art. §§ 2-108, 2-201, 2-204 and 2-405 (2017 Repl. Vol. & Supp.) for the violations of the Maryland Insurance Article identified and described.¹

I. RELEVANT MATERIAL FACTS

1. Insurance is a form of risk financing that may be required as evidence of financial responsibility in order to engage in certain activities.
2. A “certificate of insurance” (“COI”) is a document that is “prepared or issued by an insurer or insurance producer as evidence of property insurance or casualty insurance coverage.” § 19-116(a)(3)(i). The COI is an important document in that it serves as evidence to customers, contractors or other third parties that the business has obtained insurance. The COI indicates that

¹ Unless otherwise indicated, all statutory references in this Order are to the Insurance Article of the Maryland Code.

the business or individual named as the insured has the financial resources available to protect those who may come to harm through the insured's negligence.

3. Section 19-116(g) states:

A person may not prepare or issue a certificate of insurance that the person knows contains false or misleading information or that purports to amend, alter, or extend the coverage provided by the policy of insurance referenced in the certificate.

4. Pinch is a Maryland limited liability company formed in 2012, with its principal place of business located in Rockville, Maryland. Exon is the owner of Pinch. Pinch's authority to conduct business in the State was forfeited as of October 3, 2022, by the Maryland Department of Assessment and Taxation ("SDAT") for failure to file its 2021 personal property return.

5. WPM Real Estate Management, LLC (hereinafter "WPM") is a business that characterizes itself as an Accredited Management Organization (AMO) that provides a full suite of property management services for nearly 25,000 units and 40,000 people in Maryland, Pennsylvania, Delaware, and Virginia. As a business practice, WPM requires its subcontractors to have certain insurance coverage in place as a condition of their engagement. WPM also requires its subcontractors to demonstrate proof of the existence of the required coverages by submitting a current, accurate COI. Absent the existence and confirmation of the required insurance, WPM will not engage an entity as a subcontractor. Consequently, WPM asked Exon for a copy of its COI, as proof that it had the requisite insurance coverages.

6. In response to WPM's request, on November 22, 2022, Exon emailed a copy of what Exon represented to be a COI issued to Pinch evidencing its then current in-force insurance coverage to a representative for WPM. The document proffered as a COI by Exon identified certain coverages allegedly procured for Pinch by Stump Insurance ("Stump"), a Maryland licensed insurance producer agency. The insurance producer was identified as Marie Stump

Gignilliat ("Gignilliat"). The COI was dated October 31, 2022, and reflected that Pinch had the following insurance coverages:

- General liability coverage, policy number 42SBAI*****, issued by The Hartford - Sentinel Insurance Company ("Hartford"), identified as insurer "A," in effect from April 14, 2022 to April 14, 2023;
- Automobile liability coverage, policy number Q04 143****, issued by Erie Insurance ("Erie"), identified as insurer "B," in effect from April 14, 2022 to April 14, 2023;
- Workers Compensation ("WC") and liability insurance coverage, policy number 42 WEC CT****, issued by The Hartford – Hartford Fire Insurance ("Hartford") identified as insurer "C," from January 1, 2022 to January 1, 2023.

7. On November 21, 2022, in an effort to authenticate the COI Exon submitted, the WPM representative contacted Gignilliat and emailed her a copy of the purported COI.

8. Gignilliat examined the purported COI and informed the WPM representative that the COI was fraudulent, and that Stump no longer provided insurance to Pinch. Gignilliat advised that the COI appeared to be a copy of one which was previously issued to a different certificate holder in June 2019, but had been altered to reflect current dates.

9. On November 22, 2022, Gignilliat notified the MIA that Exon presented a COI to WPM, which fraudulently reflected that Pinch was insured through Stump. Gignilliat explained that Hartford policy number 42SBAI***** was cancelled for non-payment on August 21, 2020; Erie policy number Q04 143**** was cancelled by Exon on January 1, 2020; and Hartford policy number 42 WEC CT**** was cancelled on December 28, 2019, for non-payment. None of the aforementioned policies were in effect from 2022 through 2023 as reflected on the fraudulent COI. Rather, all of the policies previously terminated. Gignilliat provided the MIA with a copy of the fraudulent COI. The MIA Fraud and Enforcement Division opened an investigation.

The MIA Investigation

10. An MIA investigator interviewed Gignilliat on several occasions. Gignilliat reported that on November 21, 2022, a WPM representative asked her to verify insurance coverage for Pinch. The WPM representative provided Gignilliat a copy of a COI submitted to WPM by Exon. Gignilliat examined the COI and concluded that it was fraudulent. Gignilliat provided the MIA investigator with a copy of an email that she sent to Exon on December 20, 2019, wherein Gignilliat alerted Exon to the fact that his Hartford workers' compensation insurance policy, 42 WEC CT**** was going to be cancelled on December 28, 2019, for non-payment. On December 31, 2019, Exon replied, "I apologize for the late response, I have been traveling for the holidays... I am reaching out to my accountant now to find out what is going on. Hopefully I can get an answer today and try to reach The Hartford to get this straightened out." Gignilliat called The Hartford Payroll Billing Department on March 13, 2023, to confirm whether Exon contacted Hartford. The Hartford Representative advised that Exon did not contact Hartford. Gignilliat provided the MIA investigator with another email she received from Exon on December 31, 2019, in which he stated, "Can we please remove the auto policy [Erie] for Pinch. We sold both vehicles in the month of December and turned in all tags." Gignilliat advised that Exon was the point of contact for Pinch.

11. On February 17, 2023, a Hartford investigator reported that Pinch had purchased both general liability coverage and workers' compensation coverage from the Hartford, but both policies were cancelled for non-payment of premium and neither were in force for the periods identified in the fraudulent COI. Specifically, the general liability policy (No. 42SBAI****) was in effect from April 14, 2019, to August 21, 2020, when it was cancelled for non-payment of premium and the workers' compensation policy (No. 42 WEC CT****) was in effect from

January 1, 2019, to December 28, 2019, when it was cancelled for non-payment of premium. Hartford did not insure Pinch under Policy No. 42SBAI***** from April 14, 2022, to April 14, 2023, nor did Hartford insure Pinch under Policy No. 42 WEC CT**** from January 1, 2022, to January 1, 2023, as stated in the fraudulent COI.

12. An MIA investigator confirmed that Erie had previously insured Pinch under a commercial auto insurance policy (No. Q04 143****). That policy was in effect from April 14, 2019, to January 1, 2020, when it was cancelled by Pinch. Erie did not insure Pinch from April 14, 2022, to April 14, 2023 as reflected on the fraudulent COI.

13. On February 21, 2023, an MIA investigator interviewed Exon, who reported that while he was on vacation, he was contacted by a WPM representative who requested an updated COI. Exon stated that he was unaware that Pinch's policies had lapsed. Exon reported that he searched his Apple drive for WPM's account and sent the COI by mistake. Exon stated that he was not trying to mislead or defraud anyone when he sent the COI.

II. VIOLATIONS

14. In addition to all relevant sections of the Insurance Article, the MIA relies on the following pertinent sections of the Insurance Article, which apply to acts and omissions of the Respondents in the State:²

§ 19-116(g)

A person may not prepare or issue a certificate of insurance that the person knows contains false or misleading information or that purports to amend, alter, or extend the coverage provided by the policy of insurance referenced in the certificate.

§ 27-406(5)

It is a fraudulent insurance act for a person:

² The failure to designate a particular provision in this proposed Order does not deprive the Commissioner of the right to rely on that provision.

(5) with intent to deceive, knowingly to exhibit a false account, document, or advertisement about the affairs of an insurer.

§ 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 engaging in the conduct described herein, Respondents knowingly violated §§ 19-116(g) and 27-406(5) of the Insurance Article, and are therefore subject to the imposition of an administrative penalty in accordance with § 27-408(c).

III. SANCTIONS

16. Respondents knowingly submitted a fraudulent COI to WPM which falsely reflected that Pinch had particular insurance coverages, when it did not actually have those coverages in violation of § 19-116(g). Respondents knowingly submitted a fraudulent COI to WPM which falsely reflected that Pinch had general liability insurance with Hartford from April 14, 2022, to April 14, 2023; had WC and employer’s liability insurance with Hartford from January 1, 2022, to January 1, 2023; and automobile liability insurance with Erie from April 14, 2022, to April 14, 2023, in violation of § 27-406(5).

17. Having considered the factors set forth in § 27-408(c)(2), the MIA has determined that \$5,000.00 is an appropriate penalty to be paid jointly and severally by Pinch and Exon.

18. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2023-1700A) and name (Pinch, LLC/ Exon). Payment of the administrative penalty shall be sent to the attention of: Acting Associate Commissioner Joseph Smith, Insurance Fraud and Producer Enforcement Division, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202. Unpaid penalties will be referred to the Central Collections Unit for collection.

19. This Order does not preclude any potential or pending action by any other person, entity, or government authority, regarding any conduct by the Respondents 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 16 day of March 2023, **ORDERED** that:

Pinch, LLC and James Exon shall jointly and severally pay an administrative penalty of Five Thousand Dollars (\$5,000.00) within 30 days of the date of this Order.

KATHLEEN A. BIRRANE
Insurance Commissioner

BY: signature on original
JOSEPH E. SMITH
Acting Associate Commissioner
Insurance Fraud & Producer Enforcement 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 served. The written request for hearing must be addressed to the Maryland Insurance Administration, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202, Attn: Melanie Gross, Executive Assistant to the Deputy Commissioner. 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.