

2. On August 17, 2015, Laura Ross (“L. Ross”), wife of G. Ross, contacted the Martens Johnson Insurance Agency (“Martens”) to re-establish the Hartford commercial insurance policy for Hobbies. A broker for Martens contacted Hartford and a new policy was issued, effective August 18, 2015 at 12:01 A.M.

3. On August 18, 2015, L. Ross contacted Hartford and reported that Hobbies had been damaged in a fire. She advised the fire occurred on August 18, 2015. Hartford assigned claim #Y44F28871.

4. As part of the claims handling process, a Hartford claim adjuster checked Hobbies Facebook page and found a posting that indicated the fire occurred on August 16, 2015. Therefore, the adjuster referred the matter to Hartford’s Special Investigations Unit (“SIU”) for further investigation.

5. SIU contacted the Baltimore County Fire Department and learned that fire department units responded to a building fire at Hobbies, 164 Carroll Island Road, on August 16, 2015 at 7:41 P.M.

6. On September 9, 2015, SIU contacted L. Ross. She stated that Respondent Daniels is the current owner of Hobbies and she filed the claim on his behalf. She advised that her husband, G. Ross, was the previous owner. SIU also confirmed that L. Ross had contacted Martens on August 17, 2015, to re-establish the commercial insurance policy for Hobbies.

7. On September 14, 2015, SIU obtained a recorded statement from Daniels. He confirmed being the current owner of Hobbies and having purchased the business from G. Ross. He stated that the fire occurred on August 18, 2015 at 7 P.M.

8. On November 3, 2015, Hartford denied the claim due to the policy becoming effective on August 18, 2015, two days after the date of loss.

9. Section 27-802(a)(1) of the Maryland Insurance Article states,

An authorized insurer, its employees, fund producers, insurance producers, ... who in good faith has 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.

Hartford, having a good faith belief that Respondents committed insurance fraud, referred the matter to the MIA Fraud Division.

10. During the course of its investigation, MIA contacted Hartford and confirmed its handling of the claim.

11. MIA obtained a copy of the Baltimore County fire report which confirmed that fire department units responded to a building fire at Hobbies, 164 Carroll Island Road, on August 16, 2015 at 7:41 P.M. The estimated property loss was \$5,000.00 and the estimated contents loss was \$3,000.00.

12. MIA interviewed the Cordish Property Manager for 164 Carroll Island Road He reported going to Hobbies on August 17, 2015, to inspect the property and photograph damages and that L. Ross was at the location during that inspection.

13. MIA contacted the Martens insurance producer who wrote the policy for Hobbies. He confirmed that L. Ross called on August 17, 2015, to reestablish the commercial insurance policy for Hobbies and that the policy took effect on August 18, 2015.

14. MIA examined the screenshot for Hobbies Facebook page posting dated August 16, 2015 at 8:01 P.M. that stated there was "a fire at the hobby shop tonight."

II. Violation(s)

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

16. § 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.

17. § 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.

18. By the conduct described herein, Respondents knowingly violated § 27-403. As such, they are each subject to an administrative penalty under the Insurance Article § 27-408(c).

III. Sanctions

19. 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.

20. A commercial insurance policy to cover business property was issued on August 18, 2015. A fire loss was reported to Hartford the same day by Respondent L. Ross who advised Hartford that the fire occurred on August 18, 2015. Respondent Daniels also advised Hartford that the fire occurred on August 18, 2015. Investigation revealed the Baltimore County Fire Department handled a building fire at Hobbies on August 16, 2015. Having considered the factors set forth in § 27-408(c)(2) and COMAR 31.02.04.02, MIA has determined that \$3,000.00 is an appropriate penalty for each Respondent.

21. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2016-0829A) as well as the name, (Laura L. Ross) and (John Z. Daniels). Unpaid penalties will be referred to the Central Collections Unit for collection. Payment of the administrative penalty shall be sent to the attention of: Deputy Commissioner, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202.

22. This Order does not preclude any potential or pending action by any other person, entity or government authority, regarding any conduct by 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 9th day of June 2016, **ORDERED** that:

(1) Laura L. Ross shall pay an administrative penalty of \$3,000.00 within 30 days of the date of this Order.

(2) John Z. Daniels shall pay an administrative penalty of \$3,000.00 within 30 days of the date of this Order.

ALFRED W. REDMER, JR.
Insurance Commissioner

BY:

signature on original

NANCY GRODIN
Deputy Commissioner

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 Respondent in a Final Order after hearing.