

submit a surety bond to protect the Authority in the event the contractor failed to meet its contractual obligations.

4. On July 11, 2012, Reece submitted his bid to the Authority.

5. The Authority awarded the roof replacement contract to Western Maryland Construction Solutions, LLC (“WMCS”), (the principal) on or about July 11, 2012.

6. On July 11, 2012, Reece, vice president of WMCS submitted a purported \$81,960.00 surety bond (#1000941882) to the Authority, ostensibly issued by United States Surety Company (“U.S. Surety”), an authorized surety insurer.

7. At the completion of the roof replacement work on or about September 24, 2015, the Authority conducted an audit and determined that it overpaid WMCS \$17,508.00.

8. The president of the architectural firm managing the project sent an e-mail to Respondent and copied an Authority representative on September 25, 2015, requesting repayment of the \$17,508.00 overpayment, to no avail.

9. On September 29, 2015, an e-mail was sent from an Authority representative to Respondent, which stated in bold type:

“L.B. and I have made several attempts to contact you via e-mail, cell phone and your office to resolve the issue of overpayment for the roofing project. We have been informed that someone will contact us to discuss and resolve this overpayment...Please contact me to discuss the time frame and when we can expect to receive reimbursement.”

10. On October 13, 2015, the Authority representative called U.S. Surety to file a claim; however, a U.S. Surety representative advised that the bond (#1000941882) was fraudulent.

11. Section 27-802(a)(1) of the 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.

U.S. Surety, having a good faith belief that Respondent committed insurance fraud, referred the matter to the MIA's, Fraud Division.

12. During the course of its investigation, an MIA investigator reviewed documents from the Authority and U.S. Surety.

13. On July 29, 2016, an MIA investigator spoke to a representative for U.S. Surety who confirmed bond #1000941882 was fraudulent. A U.S. Surety representative provided a copy of the actual bond #1000941882, and pointed out that the legitimate bond was "bound unto" Frostburg State University and not the Authority. The legitimate bond was issued to WMCS, but was for Simpson Hall heater installation and not roof replacement at Meshach Village Family Section. The representative advised the cost of the bond, if legitimately purchased would have been \$2,049.00.

14. On August 9, 2016, an MIA investigator spoke to Reece who advised that his business has been shut down as a result of his divorce proceedings. Reece stated he would search company records for bond information and get back to the MIA, but he did not contact the MIA again.

15. On August 11, 2016, an MIA investigator spoke to the Executive Director of the Authority. She advised that on July 11, 2012, Reece submitted to her the fraudulent surety bond on behalf of WMCS. Further, WMCS reimbursed the Authority the \$17,508.00 overpayment it had made.

16. On November 10, 2016, an MIA investigator conducted a telephone interview with L.B., owner of Browne Group Architects who attended the July 11, 2012, meeting with Reece and the Executive Director of the Authority. During the meeting L.B. observed Reece present the \$81,960.00 surety bond to the Authority, which was later determined to be fraudulent.

II. Violation(s)

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

18. § 27-406(5)

It is a fraudulent insurance act for a person:

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

19. § 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.

20. By the conduct described herein, Respondent knowingly violated § 27-406. As such, Reece is subject to an administrative penalty under the Insurance Article § 27-408(c).

III. Sanctions

21. 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.

22. Respondent submitted a fraudulent surety bond to the Authority, falsely representing the Authority was protected from any loss in the event WCMS defaulted on its contracted services. Having considered the factors set forth in § 27-408(c)(2) and COMAR 31.02.04.02, the MIA has determined that \$3,549.00 is an appropriate penalty under the statute.

23. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2016-2047A) and name, (Brandon P. Reece). 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.

24. This Order does not preclude any potential or pending action by any other person, entity or government authority, regarding any conduct by 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 29th day of November 2016, **ORDERED** that:

Brandon P. Reece shall pay an administrative penalty of \$3,549.00 within 30 days of the date of this Order.

ALFRED W. REDMER, JR.
Insurance Commissioner

signature on original

BY:

STEVE WRIGHT 
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 Respondent in a Final Order after hearing.