

IN THE MATTER OF THE
MARYLAND INSURANCE
ADMINISTRATION

v.

JUANITA SHELTON
12512 Epping Court
Wheaton, Maryland 20906

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BEFORE THE MARYLAND
INSURANCE COMMISSIONER

CASE NO. : MIA-2017-11-002

Fraud Division File No.: R-2017-3718A

ORDER

This Order is entered by the Maryland Insurance Administration (“MIA”) against Juanita Shelton (“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. On February 27, 2016, Respondent entered into a loan agreement with Chrysler Capital for the purchase of a 2016 Dodge Journey. In connection with her loan, Respondent obtained optional credit insurance from Central States Health & Life Company of Omaha (“CSO”), an authorized insurer. The policy paid monthly disability benefits up to \$1,250.00 in the event of total disability and upon proof of disability. The policy is in effect through March 12, 2022.

2. On February 22, 2017, Respondent verbally made a claim to CSO for total disability, but not until May 2, 2017, did Respondent submit a fully reviewable claim with a “Report of Disability,” which contained an Insured’s Statement, Employer’s Statement and Attending Physician’s Statement. This Report stated that Respondent was employed as an account manager and was also self-employed as an events planner, and that she had been unable

to work since January 6, 2017, due to a disability. Further, the Attending Physician's Statement identified the treating physician as "Dr. Davis" along with his/her purported phone number.

3. On May 3, 2017, relying on information provided by Respondent as evidence of total disability, CSO issued a check to Chrysler Capital for \$1,225.12, for the period of disability from January 6, 2017 through March 5, 2017.

4. On May 16, 2017, Respondent submitted to CSO a disability "Progress Report," stating she was examined on May 12, 2017 and is restricted to "total bed rest." This time CSO did not pay disability benefits and, instead, referred the claim to its Special Investigations Unit ("SIU") for further investigation.

5. A CSO SIU investigator attempted to contact Respondent's employer; however, the phone number of Respondent's employer on the Report of Disability was illegible and the employer was not named. The employer's address on the Respondent's Report of Disability was 6121 Georgia Avenue, Silver Spring, Maryland 20910 but the Employer's Statement as submitted by Respondent gave the employer's address as 8121 Georgia Avenue Silver Spring, Maryland 20910. Consequently, the investigator was initially unable to validate Respondent's employment.

6. CSO SIU obtained a copy of Respondent's credit loan application which identified her employer at the time she completed the application. SIU contacted the employer and learned Respondent's employment was terminated on May 20, 2016, i.e. nine months prior to her February 22, 2017 disability claim.

7. CSO SIU attempted to contact the physician at the phone number provided on the Attending Physician's Statement. The phone number was for a medical facility. A representative of the medical facility examined the Attending Physician's Statement submitted

by Respondent to CSO and advised, "...there is no physician by name of Dr. Davis..." and the physician's statement "was not signed by any providers or staff from our office."

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

An authorized insurer, its employees, fund producers, or 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.

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

9. During the course of its investigation, MIA contacted CSO and confirmed the handling of Respondent's claim.

10. On September 28, 2017, MIA interviewed a representative for the medical facility identified by phone number on the Attending Physician's Statement. The representative confirmed there is no Doctor Davis on staff at the facility and Respondent was not treated at the medical facility in 2017, contrary to the claim form she submitted to CSO.

II. Violation(s)

11. 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:

12. § 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.

13. § 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

(ii) order restitution to an insurer or self-insured employer of any insurance proceeds paid relating to a fraudulent insurance claim

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(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.

14. By the conduct described herein, Respondent violated § 27-403. As such, Respondent is subject to an administrative penalty under the Insurance Article § 27-408(c).

III. Sanctions

15. 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.

16. 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.

17. Additionally, Respondent is ordered to reimburse CSO \$1,225.12, the amount she fraudulently obtained from CSO when submitting false reports of disability.

18. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2017-3817A) and name (Juanita Shelton.) 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.

19. Notification of reimbursement to CSO shall be made in writing to the Associate Commissioner, Insurance Fraud Division, 200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202. Such notification shall include a copy of the money order or cancelled check issued to CSO as proof of reimbursement and identify the case by number (R-2017-3817A) and name (Juanita Shelton).

20. 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 1st day of November 2017, **ORDERED** that:

(1) Juanita Shelton shall pay an administrative penalty of three thousand (\$3,000.00) within 30 days of the date of this Order.

(2) Juanita Shelton shall pay restitution to CSO in the amount of one thousand two hundred and twenty-five dollars and twelve cents (\$1,225.12) 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 served. 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.