

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

v.

**RYAN LOKEY
1010 Mercer Place
Frederick, Maryland 21701**

*** BEFORE THE MARYLAND
*
* INSURANCE COMMISSIONER
*

*** CASE NO. : MIA-2018- 01-033

*** Fraud Division File No.: R-2017-3905A
*

ORDER

This Order is entered by the Maryland Insurance Administration (“MIA”) against Ryan Lokey (“Respondent”) pursuant to §§ 2-108, 2-201, 2-204, and 2-405 of the Insurance Article, Md. Code Ann. (2017 Repl. Vol. & Supp.)(“the Insurance Article”).

I. Facts

1. Respondent had a renter’s insurance policy through Homesite Insurance Company of the Midwest, (“Homesite”), an authorized insurer, for his residence located at 912 Shawnee Drive, Frederick, Maryland. The policy covered personal property owned by Respondent, and was in effect from December 28, 2016, through December 28, 2017.

2. On April 18, 2017, Respondent notified Homesite that on February 16, 2017, his water heater broke and personal items valued at approximately \$10,000.00 were damaged, including furniture and yard equipment. Homesite opened a claim and requested that Respondent submit photographs as well as an inventory of the damaged property.

3. On April 26, 2017, a Homesite claims adjuster sent Respondent an email requesting, documents necessary to process the claim.

4. On May 3, 2017, Respondent submitted a property inventory to Homesite, which reflected a loss value of over \$26,000.00. Consequently, a claims agent referred the matter to

Homesite's Special Investigation Unit, ("SIU"), as Respondent's initial loss estimate was only \$10,000.00 and Respondent identified items, which appeared to be for business purposes.

5. On May 15, 2017, Bright Claim, a Homesite subcontractor, conducted an inspection of the Respondent's dwelling. An Agent for Bright Claim reported that approximately 50% of the items listed on Respondent's inventory were not available for inspection.

6. On May 24, 2017, a Homesite claims agent contacted Respondent's property management company, and spoke with a representative who was identified as Respondent's father. He advised that he had leased the property to Respondent, who refused to allow him on the property following the water damage loss.

7. On June 12, 2017, Respondent submitted to Homesite, the following receipts totaling \$7,330.43 as evidence that he had contracted District Homes Services located at 5257 Buckeystown Pike, Unit 163, Frederick, Maryland 21704, to perform mitigation services following the water leak:

- Invoice 1197 - property clean up and dehumidifiers - total \$1,932.17
- Invoice 1198 - disposal fee - total \$975.00
- Invoice 1205 - moving services - total \$3,263.45
- Invoice 1227 - dry cleaning, firearm repair, lawn mower repairs – total \$1,159.81

8. On June 14, 2017, SIU was unable to verify the existence of District Homes Services; therefore, on June 15, 2017, SIU conducted a more extensive search and discovered on "Bizapedia.com" that Respondent was listed as the registered agent for "Stratus Distribution, LLC" with an address of 5257 Buckeystown Pike, Unit 163, Frederick, Maryland 21704, the exact address on the District Homes Services invoice.

9. On June 15, 2017, a Homesite supervisor spoke with Respondent regarding the District Home Services invoices. Respondent stated that his friend owned District Home Services, and he [Respondent] does not know anything about the business address.

10. On June 22, 2017, Homesite sent Respondent a letter denying his claim as it was unable to verify existence of the company District Homes Services. The post office box that is listed for District Homes Services is rented by Respondent.

11. 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.

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

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

13. On October 19, 2017, an MIA investigator went to the UPS store located at 5257 Buckeystown Pike, Frederick, Maryland and spoke to the store manager. He reported that the Respondent, who has had the lease for the past several years, currently leases PO Box 163.

14. On November 15, 2017, an MIA investigator conducted a Google search as well as a search through the Maryland State Department of Assessment and Taxation ("SDAT") for District Homes Services in Frederick, Maryland. The search failed to confirm the existence of the business.

15. On December 12, 2017, an MIA investigator conducted a Maryland Court Judiciary case search of Respondent and found case information listed Respondent's address as

5257 Buckeystown Pike, Unit 163, Frederick, Maryland 21704, the same address on the alleged District Homes Services invoices.

II. Violation(s)

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

17. § 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[.]

18. § 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.

19. 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, Respondent committed a violation of the law when he submitted false documents to Homesite.

As such, Respondent is subject to an administrative penalty under the Insurance Article § 27-408(c).

III. Sanctions

20. 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.

21. Having considered the factors set forth in § 27-408(c)(2) and COMAR 31.02.04.02, the MIA has determined that \$2,500.00 is an appropriate penalty.

22. Administrative penalties shall be made payable to the Maryland Insurance Administration and shall identify the case by number (R-2017-3905A) and name (Ryan Lokey). 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.

23. 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 18th day of January 2018, **ORDERED** that:

Ryan Lokey shall pay an administrative penalty of two thousand five hundred dollars, (\$2,500.00) 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 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.